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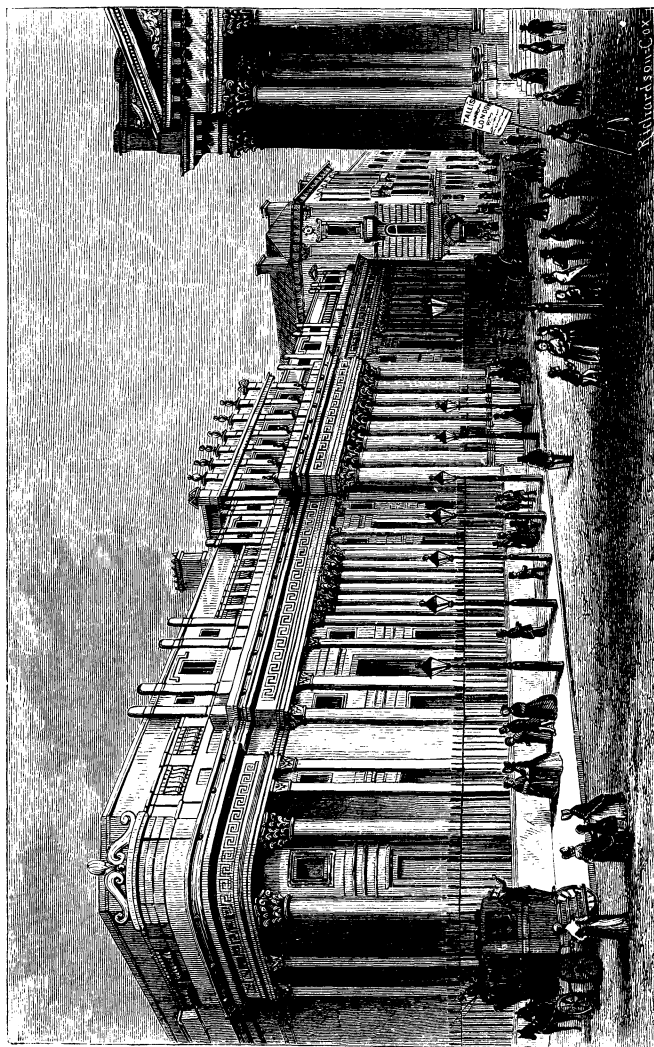
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THE BANK OF ENGLAND.—ERECTED 1782—1784.
ON THREADNEEDLE STREET, PRINCES STREET, BARTHOLOMEW LANE AND LOTBURY.
Engraved for "The Bankers' Magazine and Statistical Register," New York, 1862.

HISTORY
OF
THE BANK OF ENGLAND,
ITS TIMES AND TRADITIONS,

FROM 1694 TO 1844.

BY JOHN FRANCIS.

FIRST AMERICAN EDITION, WITH NOTES, ADDITIONS AND AN APPENDIX, INCLUDING STATISTICS OF
THE BANK TO THE CLOSE OF THE YEAR 1861, AND STATISTICS
OF BRITISH FINANCES, CURRENCY, &c.

BY I. SMITH HOMANS,
Editor of the "Banker's Magazine."

New York:
PUBLISHED AT THE OFFICE OF THE BANKER'S MAGAZINE,
AND SOLD BY G. P. PUTNAM, AND BY S. TOUSEY, N. Y.

1862.

PREFACE BY THE AMERICAN EDITOR.

A HISTORY of "The Bank of England" is necessarily a history also of the financial movements of Great Britain during the one hundred and fifty years now passed. The volume of Mr. FRANCIS contains much that is both interesting and important as to the banking and currency features of the last and the present century, as well as of the various crises that have disturbed European States: the loans, voluntary and forced, to those governments, and the rise and fall of paper money at different times.

To the American edition have been added a sketch of the important financial movements and commercial operations of the sixteen years which followed the last charter of the Bank of England; also, elaborate tabular statements of the condition of the bank during the last sixty years; opinions held by prominent statesmen and financial writers as to the principles of the currency, and the connection of the government with, and its responsibility for, the control of the banking movements of the period.

England, France and the United States have severally suffered, and severely, from the financial revulsions of the past sixteen years. The intimate connection of our government with the currency, during the years 1861 and 1862, has led to the republication, at this time, of the present work. As a matter of history, the editor has no doubt that the present contribution will be acceptable to that large class of legislators, merchants and bankers, who mainly control the financial movements of the country.

New-York, June, 1862.

HISTORY OF THE BANK OF ENGLAND.

BY JOHN FRANCIS.

First American Edition—with Notes and Additions.

CONTENTS.

	Page
INTRODUCTION.—CHAP. I.—Invention of Bills of Exchange—Interest Forbidden—Neapolitan Lending-Houses—Defence of the Hebrew—Necessity of HENRY III.—Success of the Hebrew—Bank of Venice—The Lombards in England—Their Persecution—Complaints against them—English Companies—Advance in Commerce—Route to China—Abolition of Foreign Loans,	13
CHAP. II.—Danger of CHARLES I.—Seizure of the Merchants' Money—Royal Exchanger—Abolition of the Office—The Hebrew in England—Hostility to the Hebrew—The Protector's Descent—Goldsmith's Notes—The First Banker—Difficulties of CHARLES II.—Exaction of the Goldsmiths—First Run on the Bankers—Expedient of CLIFFORD—Panic in the City—Public Indignation—Interest allowed,	22
CHAP. III.—National Bank required—Bank of Credit—Speculation in 1694—Bubble Companies—New River Company—Bank of England—WILLIAM PATERSON—Buccaneers of Darien—Scottish Enthusiasm—PATERSON'S Liberality—The Darien Expedition—Its Failure,	30
CHAP. IV.—Opposition to the Bank—Scarcity of Supplies—Distress of the Army—Varying Opinions—Establishment of the Bank—Analysis of the Act—Bank at Grocers' Hall—Beneficial Effects—Trial of the Bank—Will of the Bank—Death of the first Deputy-Governor—Jealousy of the Goldsmiths,	38
CHAP. V.—Suspension of the Bank—Its Notes at a Discount—Commencement of Stock-Jobbing—Extension of the Charter—Accusations against the Directors—Their Defence—Attempt to injure the Bank—Proposals for Branch Banks—Projected Invasion—Run upon the Bank—Assistance rendered,	47

CHAP. VI.—Privileges of the Bank renewed and extended—Disgraceful Transactions of the Mine Adventurers' Company—Bank Capital increased—The Sacheverell Riots and proposed Attack on the Bank—Importance of the Bank—Run upon the Bank—Renewal of the Charter—Reduction of Interest—First Subscription to Government Loans,	53
CHAP. VII.—The Mississippi Company—Financial Difficulties—Royal Bank—Privileges of the Company of the West—Infatuation of all classes—Increase of Luxury—Count VAN HORN—Murder of a Stock-broker—Enormous Profits—Demand for Specie—Panic commences—The Bank besieged—Unpopularity of LAW—Destruction of the Company,	59
CHAP. VIII.—South Sea Bubble—Its Commencement—Rivalry with the Bank of England—Luxury of the Period—New Companies—Extracts from contemporary Literature—Royal Exchange and London Assurance Corporations—Bank Contract—Panic of the People—Parliamentary Inquiry and Punishment of the Speculators,	67
CHAP. IX.—Purchase of South Sea Annuities—Increased Capital—Commencement of the Rest—Conspiracy and Run upon the Bank—Confidence Restored—Advances to Government—New Building—Origin of Post Bills—New Charter—Invasion of 1745—Run upon the Bank—Expedient to meet it—Attempt to Injure Credit—Assistance to Government,	80
CHAP. X.—The first Forged Note—Legal Decision—Issue of Notes—New Charter—Great Panic and Failure of Bankers in 1772—The Gordon Riots—Confusion of the People—Suspension of Trade in the City—Attack on the Bank—Its Repulse—Behavior of WILKES—Extraordinary series of Forgeries—Detection of the Forger—His Fate—MORLAND the Painter—Liberality of the Directors,	91
CHAP. XI.—Legal Opinion—Abolition of Tallies—Forgery—Extension of the Charter—Opinions of Lord NORTH—Increase of Capital—Legal Decision concerning Forged Notes—Stamp Duties—National Debt—Curious Anecdotes—Fraud and Forgery—Unclaimed Dividends—Distress of 1793—Issue of Exchequer Bills—Loyalty Loan,	102
CHAP. XII.—Historical Sketch of the Cessation of Cash Payments—Application of Mr. PITT—Assistance rendered by the Court of Directors—Diminution of Discounts—Political Position of the Country—Drain of Bullion,	113
CHAP. XIII.—Order in Council—Suspension of Cash Payments—Meeting of the Merchants—Parliamentary Debates—Issue of Dollars—Enlarged Discounts required—The Restriction Act passed—Issue of One and Two Pound Notes—Bank of France—The Rest—Renewal of the Charter—Opinion of Mr. PITT and other Ministers,	121
CHAP. XIV.—Increase of Forgery—Bonus on Bank Stock—Addition to the Income of the Clerks—Truce of Amiens—Continuance of the Restriction of Cash Payments—Fraud of ROBERT ASTLETT—Renewal of the War—Issue of Dollars—Berlin Decrees—Finance Committee—Its Result—ABRAHAM NEWLAND—Forgeries,	132

Contents.

<p>CHAP. XV.—High Price of Bullion—Bullion Committee—The Report—Financial Difficulties—Loan of Exchequer Bills—Mr. HORNER's Motion—Mischievous effect of the Bullion Report—Motions of Mr. VANSITTART and Lord STANHOPE—Letter of Lord KING to his Tenantry—Rise in the value of the Dollar—Stock Exchange Fraud,</p>	145
<p>CHAP. XVI.—Peace of 1815—Continuation of Restriction—Commercial Difficulties—Bonus on the Capital—Partial Resumption of Cash Payments—Legal Decisions—Mr. PEELE's Currency Bill—Return to Cash Payments—The Dead Weight—Pension List—Diminution of Dividend—Forgery of FAUNTLEROY,</p>	158
<p>CHAP. XVII.—Prosperity of the Country—Reduction of Interest—Circulation of One Pound Notes—Foreign Loans—Eagerness to subscribe—High Price of Shares—Delusive Companies—History of the Peruvian Loan—Remarks in the House of Commons,</p>	183
<p>CHAP. XVIII.—Bubble Companies—Abundance of Money—Increase of Prosperity—Commencement of the Panic—Failures of Country and London Bankers—Panic in London—Scene at the Discount Office—Great Distress—General Discredit—Demand for Gold—Comments of "<i>The Times</i>"—Riots in the Country—GEORGE CANNING—Mr. ROTHSCHILD—Assistance of the Bank—Issue of One Pound Notes—Anecdotes of the Panic—Opinions of the Cause,</p>	189
<p>CHAP. XIX.—Effects of the Panic—Alteration in the Charter—Parliamentary Debates—Opinions on the Currency—Assistance to the Mercantile Interest—Table of Advances—Legal Decision—Extension of the Branches—Jealousy of the Country Bankers—New Three and a Half Per Cents—Uses of Bank Notes—Danger of the Bank—Its Origin—Run upon the Bank—Political Causes,</p>	211
<p>CHAP. XX.—Forgery—Endeavor to prevent it—Committee Appointed—Increase of the Crime—Sir SAMUEL ROMILLY and Sir JAMES MACKINTOSH—Progress of Opinion—Petition of the Bankers—Inefficacy of the Punishment—Instance of it—Forgeries of BONAPARTE,</p>	227
<p>CHAP. XXI.—The New Charter—Its Conditions—Extraordinary Discovery—Holidays Abolished—Failure of the Governor—London and Westminster Bank—Speculations in 1836—Panic—Demand for Bullion—Its Cause,</p>	233
<p>CHAP. XXII.—Loss of the Northern and Central Bank—Application for Assistance—Stipulations Demanded—Directors at Manchester—Private Ledger—Application of Mr. Freshfield—Its success—Curious Discoveries—Failure of ESDAILE & Co.—Alarm and Assistance of the Bankers—Difficulties of American Houses—Suspension—Foreign Credit—Drain of Gold—Restoration of Confidence—New Mode of Manifolded Bank Notes,</p>	243
<p>CHAP. XXIII.—Exchequer Bill Forgeries—New Discovery—Legal Decision—Internal Alteration in the Circulation and National Debt Department—Great Continental Conspiracy—Its Development and Discovery—Fate of the Perpetrators—Tribute to "<i>The Times</i>,"</p>	257

CHAP. XXIV.—The Income Tax—Its Payment on Annuities—The Bank Charter Act of 1844—Its Provisions—Speech of Sir ROBERT PÆL—JONES LLOYD—The Country Bankers—Petition of the London Bankers—Its Result—New Arrangements—Will Forgeries,	272
CHAP. XXV.—Fortunate Discovery—Forgery of BURGESS—Escape to America—The Pursuit—Romantic Events—Railway Mania—Its Progress and Development,	287
CHAP. XXVI.—Traditions concerning the Bank—Stolen Notes—Stratagem of the Duke de CHOISEUL—Lost Note—Description of the Bank—Weighing Machine—Internal Arrangements,	300

A P P E N D I X .

Bank Shares, Bank Dividends, Consols—Tabular Statement, showing the lowest and highest market rate of the Bank of England Shares, from 1731 to 1860; the rate of Bank Dividends semi-annually during the same period, and the lowest and highest prices of Consols during each year,	313
The London Joint-Stock Banks,	315
Tabular Statement, showing the Circulation, Deposits, Loans, Bullion, Reserve and Rest (Surplus Profits) of the Bank of England at the close of February, each year, from 1778 to 1840, and at the end of March, from 1841 to 1844,	317
The origin of the Bank of England. By T. BABINGTON MACAULAY. From MACAULAY'S fourth volume of the History of England.—I. Financial Difficulties of the Year 1693.—II. The Lottery Loan.—III. Private Bankers of the Seventeenth Century.—IV. Opposition to the Private Banking System.—V. First Suggestions for a National Bank.—VI. The Land Bank.—VII. Insecurity of Land as a Basis of Currency.—VIII. WILLIAM PATTERSON, the Originator of the Bank of England.—IX. His Plan for a Bank.—X. Consummation of the Act—its complete success,	319
A Visit to the Bank of England, 1849. From HOGG'S Weekly Instructor,	329
The Bank of England, 1844–1861. Statement showing—I. The Circulation Outstanding.—II. Public Deposits.—III. Private Deposits.—IV. Public Securities held.—V. Other Securities.—VI. Bullion and Coin held.—VII. Reserve of Notes: at each period when a change in the rate of discount was adopted by the Bank,	336
Directors of the Bank of England, from 1694 to 1861,	340

Governor, Deputy-Governor and Directors of the Bank of England, elected April, 1861, with the dates when they were respectively elected, . . . 343

Duties, Qualifications, &c., of the Governor and Deputy-Governor, . . . 344

Of the National Debt of Great Britain. By T. BABINGTON MACAULAY, . . . 345

THE HISTORY OF THE BANK OF ENGLAND,

FROM THE NEW CHARTER (1844) TO THE YEAR 1861.

CHAPTER I.—General Remarks—Sir ROBERT PEEL—Depression of English Trade, 1841–1843—The Importance of the United States as a Market admitted by English Statesmen—Sir ROBERT PEEL's Speech—Lord JOHN RUSSELL in Opposition—Sir ARCHIBALD ALISON's Views—Lord PALMERSTON, . . . 347

CHAP. II.—From the Passing of the Bank Charter Act in 1844, to the fall of Sir ROBERT PEEL's Ministry in June, 1846—Views of Sir A. ALISON—Railway Mania of 1845—Railway Frauds—Effects of Overtrading—Commercial Policy of Sir ROBERT PEEL, . . . 358

CHAP. III.—From the Introduction of Free Trade and fall of Sir ROBERT PEEL in June, 1846, to the suppression of the Chartist Insurrection in April, 1848, 371

CHAP. IV.—The Years 1848, 1849, 1850, 1851.—The Year 1848—Rate of Interest, Eight per cent.—Revolution in France—Consols down to 83—Suspension of the Bank of France—Failures in France—Chartist Movement—Extraordinary Decline in Railway Securities—Unsatisfactory Results of the Year—Attempts to Amend the Bank Charter—Speech of Sir R. PEEL—Examination of the Governor and Directory of the Bank—Prices of Staples—Year 1849—Election of President in France—Improved Prospects—Year 1850—Low Rate of Discount—New Loans to Russia and Denmark—The Scotch Exchange Banks—Extraordinary Advance in Cotton—California Gold Arrivals—Improvement in Railway Shares—Year 1851—Short Harvest—Failures in U. S.—New Loan to Sardinia—Discoveries of Gold in Australia—Extraordinary Coinage in France and England, . . . 390

CHAP. V.—The Years 1852, 1853, 1854—The Year 1852—Reduced Values of Foreign Staples—Fluctuations in Prices—Speculation in Australian Gold Mining Shares—Increased Consumption of Cotton—Imports and Exports of the Precious Metals—The Year 1853—Extraordinary Low Rate of Interest—Over-trading in consequence—Strikes for Wages in London and in the Cotton Districts—War between Russia and Turkey—Extraordinary Prosperity of the Shipping Interest—Heavy Imports of Timber from America—The Year 1854—War with Russia—California Trade in Excess—Fortunate Receipts of Gold from Australia—Rate of Interest on the Continent—Fluctuations in Freights—Summary of Events for Four Years past, . . . 403

CHAP. VI.—The Years 1855–1856—The Year 1855—Great Gloom Prevailing— War with Russia continued—Reduction in Freights and in Ship-Building —Imports of Colonial Timber—Bank Rate of Discount 5 per cent. for Twenty-two Months—Reduced to 4½,	416
CHAP. VII.—The Year 1857,	425
CHAP. VIII.—Years 1858, 1859, 1860—The Bank Act of 1844—Failures of 1857 —Loans to Bill-Brokers—Forced Issue of £2,000,000 Bank Notes—Bank Failures in Scotland—Crisis in Ireland—Crisis in Liverpool—Continental Banks—Price of Gold—Opinions of Lord OVERSTONE—Yearly Average of Notes, 1844–1858—Evidence of Bank Directors—Failures of Commercial Houses—Joint-Stock Banks—Fluctuations in Prices—Continental Banking —Death of Mr. TOOKE,	433
CONCLUSION.—The frequent alterations of the Minimum rate of Discount of the Bank of England, during eight years, 1847–1855—Comments thereon of the Lords' Report,	461

ERRATA—Page 313.

Bank of England dividend, October, 1860— <i>For 4½ read 5 per cent.</i>
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HISTORY

OF THE

BANK OF ENGLAND.

BY JOHN FRANCIS.

CHAPTER I.

INVENTION OF BILLS OF EXCHANGE—INTEREST FORBIDDEN—NEAPOLITAN LENDING HOUSES—
DEFENCE OF THE HEBREW—NECESSITY OF HENRY III.—SUCCESS OF THE HEBREW—BANK
OF VENICE—THE LOMBARDS IN ENGLAND—THEIR PERSECUTION—COMPLAINTS AGAINST
THEM—ENGLISH COMPANIES—ADVANCE IN COMMERCE—ROUTE TO CHINA—ABOLITION OF
FOREIGN LOANS.

COMMERCE, the precursor of banking, was in a low condition at the date of the Norman conquest, when the English were a pastoral people. The devastating wars which ensued prevented population from increasing, and commerce from improving. Land, also, to a great degree, remained untilled. The fertilization now extending over hill and dale was then wanting. The graceful glebe, the cultivated country, with all the luxurious evidences of a mature civilization, were absent. The place of these was supplied by forests, rich with the hues of their varied occupants, and by wild extensive tracts of land, which afforded profitable and often picturesque pasturage for large droves of sheep and horned cattle.

The hides and wool derived from these were the staple articles of merchandise, forming the principal revenue of the proprietor; and Flanders, even then a manufacturing country of comparative importance, was their chief recipient. As continental languages were almost unknown in London, the business was conducted by foreigners; but the trade of a whole year only amounted to one or two hundred thousand pounds; and for the first two centuries after the conquest, rarely, if ever, exceeded two hundred and fifty thousand. During this period, then, it is obvious that no other bank, save the stronghold of the castle, or the treasury of the convent, was required.

In the proportion, however, that population increased, that fresh branches of commerce were formed, and that the powers of the country began to develop themselves, a new want was likely to arise. It was, in all probability, during such a period, that the deficiency of money first

made the Jew remarked for the great business capacity which distinguishes him up to the present time, and which even then enabled him to make advances on security. The members of this race, who have always taken the initiative in money getting, had the misfortune, in an age comparatively rude, to attract the cupidity of their masters.

“When a whole people,” says the elder D’ISRAELI, in his “Genius of Judaism,” “devote themselves to one great pursuit, one single art, they open sources of invention, they reach to a noble perfection. Unhappily for the present professors, that great pursuit, that single art, was the commerce of money; and to render fortunes invisible, their genius produced the wonderful invention of bills of exchange; an object, like the art of printing, become too familiar to be admired; the miracle has ceased, and its utility only remains; yet both are sources of civilization, and connect together, as in one commonwealth, the whole universe. Their successful pursuits worked their own fatality. The Hebrews became the reservoirs of the wealth of the strange lands where they were found. For the steel-clad baron they were sponges to suck in as much water as they could hold, that his protecting hand, as he listed, might squeeze them to their last drop; for the luxurious abbots and the rosy canons, who heaped up their improvident bonds on the Hebrew affecting the poverty he was to relieve, the Jews became the creditors of a whole province.”

By a decree of EDWARD the Confessor, the taking of interest was first prohibited. For a long period the prejudices of priest and people had struggled with the growing wants of trade. To receive interest for money lent, was to incur the invidious name of usurer. With this had each successive phase of commerce wrestled. By this had each growing effort of business been injured. With this, also, had even the lending houses of Italy to contend, when, with a spirit worthy the Christianity he professed, the Neapolitan of the sixteenth century attempted to deliver the poor and the needy from the grasp of the extortioner.* The religionist, who took too limited a view of the Scripture he professed to expound, argued that, by the decree of the Israelitish legislator, it was a direct violation of the will of heaven to receive interest for money borrowed. This fallacy is most conclusively answered by Mr. GILBART, in

* “The lending house at Naples was first established in 1539 or 1540. Two rich citizens, AURELIO PAPARO and LEONARDO or NARDO DI PALMA, redeemed all the pledges which were at that time in the hands of the Jews, and offered to deliver them to the owners without interest, provided they would return the money which had been advanced on them. More opulent persons soon followed their example; many bequeathed large sums for this benevolent purpose; and TOLEDO, the viceroy, who drove the Jews from the kingdom, supported it by every method possible. This lending house, which has indeed undergone many variations, is the largest in Europe; and it contains such an immense number of different articles, many of them exceedingly valuable, that it may be considered as a repository of the most important part of the movables of the whole nation. About the year 1635 another establishment of the like kind was formed, under the title of *banco de poveri*. At first this bank advanced money without interest, only to relieve confined debtors. Afterwards, as its capital increased, it lent upon pledges, but not above the sum of five ducats, without interest. For larger sums the usual interest was demanded.”—*Beckmann’s History of Inventions*, vol. 2.

his "History of Banking." "It was the object of the Jewish legislator to make the Jews a purely agricultural people. The promotion of agriculture was, as MONTESQUIEU would say, the *spirit* of his laws. Hence he prohibited the taking of interest for the loan of money. By this means he interdicted commerce. His design was to prevent the Israelites associating with the surrounding nations, and learning their idolatrous practices. But even MOSES permitted the Jews to take interest for money lent to strangers—a circumstance which proves that the prohibition was a political, and not a moral precept."

During the period to which we have alluded, the Hebrews may almost be regarded as the compulsory bankers of the luxurious monarch and the iron chief; for not only were this patient people at the absolute disposal of the regal oppressor; the warlike baron also looked down from his stronghold upon the suffering Jew, as a source of revenue to be measured only by his own wants, or the capacity of his victim.

"The prejudices of the age," says HUME, "had made the lending of money on interest pass by the name of usury; yet the necessity of the practice had still continued it, and the greater part of that kind of dealing fell every where into the hands of the Jews, who being already infamous on account of their religion, had no honor to lose, and were apt to exercise a profession odious in itself by every kind of rigor, and sometimes by rapine and extortion."

We are prone to judge the actions of a preceding age by the precepts which guide our own. "Rapine and extortion" unhappily marked the path of the Christian in his dealings with the Hebrew. History teems with relations to which "rigor" would be far too mild a term to apply. JOHN had no charter, save that of the strong hand, to extract the teeth from the Jew who refused to be unrighteously robbed. HENRY III. had no right save that of might to wring from this people their hard-earned money, in a series of cruel exactions which lasted for half a century. The bold but barbarous baron, licentious alike in all his dealings, asked only his own evil passions for permission to outrage his fellow man.

The Hebrew, acting after the knowledge vouchsafed to him, willing to grasp the only power he was allowed to exercise, happy also in being able to retaliate on the hated race that wronged him, sought and seized on every opportunity which enabled him to gratify at once his love of vengeance and of money.

In a note to RAPIN'S History, TINDAL says, "The King of England was wont to draw a considerable revenue from the Jews residing in this realm, namely: by *tallage* (or assessment) and *finer relating to law proceedings, by americiaments for misdemeanors, and by fines, ransoms, compositions, which they were forced to pay for having the king's benevolence; for protection, for license to trade, for discharges, for imprisonment, and the like.* He would tallage the whole community or body at pleasure, and make them answer the tallage for one another. In short, the king seemed to be absolute lord of their estates and effects, of their persons, their wives and children."

In this brief passage there is a goodly list of excuses for the exercises of might over right. A goodly list of apologies, with which the Christian attempted to justify his conscience, while he satiated his lust after money.

But "the peculiar people" were neither allowed to leave the land in which they were pursued with so much malignity, or to rest in peace while they remained there. HENRY III., their persecutor and their pest, betrayed his evil passions when memorialized by this people for permission to quit England, in the exclamation: "Is it to be marvelled at that I covet money! It is a horrible thing to imagine the debts wherein I am bound. By the head of God they amount to two hundred thousand marks, and if I should say three hundred, I should not exceed the truth. I am deceived on every side; I am a maimed and abridged king, yea, now but half a king. *There is a necessity for me to have money, gotten from what place soever, and by what means soever, and from whom soever.*"

History is replete with the oppression of the Hebrew people, written in characters of blood. They were, indeed, the great source of revenue. They were made use of on all ordinary and extraordinary occasions. "Their command of cash, combined with their acute and business habits, enabled them," says a modern writer, "almost to monopolize the business of traders and money-dealers, and, of course, their profits were very great. This was their compensation for the state of subjection in which they were held, and that which induced them to remain in the kingdom, notwithstanding all the exactions of the crown. It was an engine, nevertheless, which there was some art and management required in working. On the one hand these Jews were not to be treated with so much severity as to make them wish to quit the country. They were to be tempted to remain in it. For this purpose, the process in which they acted so important a part, while it largely benefited the king, was to be allowed to be also somewhat profitable to themselves. The pressure of the royal grasp was not to be carried so far as to wring from them the whole amount of their extortionate gains. Above all, they were to be protected by the law in those rights, without the enforcement of which they could not have satisfied the rapacity of their oppressor. But, on the other hand, the hatred with which they were naturally regarded by the people was also to be maintained and cherished; for without this, it would have been impossible for the sovereign power to have continued to treat them in the arbitrary and tyrannical manner we have described. It was, no doubt, found to be somewhat difficult to effect these two objects at the same time, namely, to grant to the Jews the perfect protection of the law against every one else, except the king, and yet to keep the popular feeling against them in so inflamed a state, that it was always ready to approve whatever cruelty and oppression that single and licensed power might exercise upon them."

Another reason, besides "the possession of all the ready money," of their remarkable success in trade, was the quiet energy with which they pursued their calling. Undisturbed by love of country, for they were an outcast people; unstimulated by the love of war, for they were a peaceful race; uncalled upon by Norman baron or Saxon chief to assist him, save with cash and credit, for other help from them was worthless; they devoted themselves with undivided mind to a pursuit which, while it excited the inexorable passions of their masters, made the Hebrews the possessors of that wealth, which was alike their consolation and their curse.

It appears, then, from the slight sketch given of this remarkable body, that the writer is justified in terming them the compulsory bankers of the period. Their earliest known persecution occurred in 1189, during the reign of RICHARD CŒUR DE LION, about the period that the first European bank, the Bank of Venice, was established. While the rude barbarism of the North resorted to the policy shortly to be described, Venice, with all the grandeur of an advanced commercial knowledge, established, upon a scale so just that it has since served as a model for its successors, the earliest bank in Europe.

Towards the end of the thirteenth century, the country ceased to receive support from the Hebrew. EDWARD I., unable to resist a grant from Parliament, and stimulated by the prospect of an immediate booty, consented to the expulsion of this people from England. With what circumstances of degradation and cruelty it was conducted, let the chronicles of the time repeat; but from this period to their re-admission, during the government of the great and politic CROMWELL, in the seventeenth century, they ceased to interfere with the monetary or commercial transactions of the English community.

It is, we think, difficult to account, excepting by the bigotry of the age, for the intense hatred borne to this insulted race. It would, perhaps, be still more difficult to find a reason for the great folly which prompted their expulsion, at the expense of a revenue so easily obtained,* were it not possible that some light may be thrown on, and some excuse made for, this great political error, by the fact that, in the same century, the Lombards—by which general term the early Italian merchants of Genoa, Florence and Venice were known—came over and established themselves in the street which still bears their name. With them came many of the arts and the skill of trade; with them came the only knowledge of banking then possessed; with them came into more common use “the wonderful invention” of bills of exchange, by the agency of which they remitted money to their own country. Success followed exertion; a firm footing was obtained by the skilful Lombard; he was the first who, uniting to the art of the goldsmith the science of the banker, took the initiative in that business, which has since been the agency of so much good, and which has been found to increase with the trade and commerce of the country. The success of the Lombard was not unmarked by the third EDWARD. With the false policy of a barbarous age, this monarch sought to supply the necessities of the crown by treating the Lombard as his predecessors had treated the Israelite. The reign of EDWARD was marked by a lavish expenditure of blood and money. The hardy Scot felt his prowess at Halidon Hill. The village of Crecy witnessed the triumph which is yet talked of at our English firesides, and from which the first prince of royal blood derives his motto at the present day. Poitiers, in the capture of the French monarch, was the com-

* “During a space of only about seven years, from the 17th of December, in the fiftieth year of HENRY III., till the Tuesday in Shrovetide, in the second year of EDWARD I., the crown is stated to have extorted from the Jews (amounting in all to probably not more than five hundred families) the immense sum of £420,000 15s. 4d.”
—*Popular Tumults*.

pletion of the great series of conquests, which, while it shed a nearly unparalleled glory over British arms, made the conqueror feel most keenly the want of that money which had hitherto been principally supplied by extortions from the Jew.

Monarchs rarely allow the absence of a reason to stand between them and their desire. If the industry of the Lombards had produced wealth, wealth produced persecution.

To apply the words which the elder D'ISRAËLI wrote upon another topic: "It was their calamity to excel in the arts their neighbors practiced. A society which becomes too powerful by their wealth has ever been marked out for the spoil of the government or the people; there are so many passions in human nature which are allied against a flourishing body. First hated, and then calumniated, they become the victims of State, and justice veils her eyes during the popular suppression or destruction. Such was the fate of the order of the Templars, of the English monastic institutions, of the Jesuits throughout Europe. The historical problem is of no difficult solution. Whenever a heavy price is proclaimed to discover offenders, however innocent, offenders will be found; and for the informers there can be no higher price than a share in the confiscation."

Under the pretext that the Lombards were extortioners, EDWARD III. seized their property and estates. "Perhaps," remarks MAITLAND, very shrewdly, "the necessity for furnishing him with money for his lavish expenditure might have urged him to this step."

The enmity of the monarch stimulated fresh complaints from his people. Those to whom we are indebted are seldom regarded favorably by us; and probably the debtor was more to blame than the creditor. The defective laws of the period enabled the former occasionally to evade his just debts; this naturally produced a treble vengeance from the money-lender, in the form of increased interest, if the occasion offered, and in imprisonment, if he failed to meet the demand of the Lombard on the appointed day; if not, the wronger is always harsh in his judgment of the man he has wronged.

Persecution produced its accustomed fruits. The Lombards increased in wealth, power and position. They had gained so much importance by the fifteenth century, that we find them advancing a large sum for the service of the State on the security of the customs.

"They dealt," says ROBERTSON, "largely as bankers. They carried on this, as well as other branches of their commerce, with somewhat of that rapacious spirit which is natural to monopolists, who are not restrained by the concurrence of rivals." "Accordingly, we find it was usual to demand twenty per cent. for the use of money, in the thirteenth century." "They enjoyed great privileges, and carried on extensive commerce, particularly as bankers."

It was from such bodies as these, and the "Steel-yard merchants," our masters in the art of commerce, that the kings of England, on any sudden exigency, sought and obtained their principal supplies, on what now appears an exorbitant interest.

The important body of Steel-yard merchants was cherished with great and peculiar privileges. If great privileges were granted, however, great

services were often claimed in return. "The Steel-yard company," remarks Mr. GILBART, "was a kind of bank to our kings, whenever they wanted money on any sudden emergency; but the company was sure, in the end, to be well paid for such assistance."

The merchants of the Staple, (so called from their Stapelhoff, or general house of trade for the German nation,) the mercers, whose existence as a body may be traced to the twelfth century; the merchant adventurers, who boldly steered their vessels to unknown shores in search of commerce; the traders of Flanders, then in the pride and pomp of wealth derived from successful industry, had all successively ministered to the service of the State. Nor had the citizens failed in supplying similar assistance. When EDWARD III. resolved upon an expedition to France the wards advanced, according to their several ability, twenty thousand marks, which the Parliament voted, in order that the warlike adventures of the monarch might be successfully pursued.

The reign of HENRY VII. was distinguished by a great advance in commerce. This politic sovereign endeavored to raise and cherish the Commons as an important barrier against the power of the baron. The independence of the latter was troublesome to peace; but as the serf grew with the favor of the monarch, and the increase of commerce and agriculture, (the latter of which HENRY particularly affected, as the "vigor and nerves of the English state,") so was the baron compelled to retire within his natural and proper boundary.

The great discovery of the greatest man of his, or perhaps any age, occurred this century. The new world was made known to the old by CHRISTOPHER COLON, commonly called COLUMBUS; and though the mind revolts at the cruelties which followed the adventures of the Genoese, yet it is incumbent on us to own the impulse received by commerce throughout that which was termed the civilized world. The movement could not fail to be felt in England; and JOHN CABOT, a Venetian, set sail with his three sons, under a license granted by HENRY VII., for the discovery of unknown lands.

In the year 1505, the twentieth of this monarch's reign, the first charter was granted for establishing the "Fellowship of Merchant Adventurers." During this century also the Newfoundland and other fisheries, the Turkish trade, and a trade to Russia, were established, and in its last year was incorporated the East India Company. It was also within the same period that Sir HUGH WILLOUGHBY, with three vessels, set sail to discover a near route to China. By the sudden approach of winter he was compelled to seek refuge within an obscure harbor in Russian Lapland, where, with the crew of two of his vessels, he was frozen to death; and when the Laplanders, in pursuance of their annual custom, sought the sea-coast in summer, for the sake of its fishery, they found the remains of the unhappy adventurer, who, meditating a great discovery, had met with an obscure death. It is a touching picture to contemplate him as he was found, sitting with his diary and papers before him as in life, and to think how little his aspiring, but noble ambition, meditated so melancholy a fate.

The expedition was not without its benefit, as one vessel escaped. RICHARD CHANCELLOR, its commander, landed near Archangel, and in-

clined the Czar, IVAN BAZILOWITZ, then engaged in the Livonian war, to grant considerable commercial privileges to the English.

Such was the state of commerce, when, after the lapse of half a century, a great man arose. The mild, but childish EDWARD, the persecuting MARY, and the politic ELIZABETH, found it equally to their interest to employ the enlarged mind and great talents of THOMAS GRESHAM.

The reign of ELIZABETH was marked no less by an advance in poetry and philosophy than by a rapid increase in the science of money. It almost seemed as if nature, hitherto checked in her development by internal convulsions and unhealthy strife, used extraordinary efforts to repair the evils produced by civil war. Amid the names which adorn the period, that of GRESHAM takes a noble position. To this great citizen we owe the abolition of loans from foreign States. By his agency the financial difficulties of the reign were ably met. The peremptory necessity which compelled the government to borrow, produced a difficulty on the part of the lender, in exact proportion to the exigency of the borrower. The value arose with the necessity; twelve and even fourteen per cent. was paid for the accommodation. "After negotiating several loans," says the historian of the Royal Exchange, "GRESHAM felt that, instead of sending such large sums abroad, it would be a desirable thing to secure them for the capitalist at home. With the eye of a statesman, he saw that it would be more convenient for the borrower." By his counsel ELIZABETH was induced, when a loan was necessary, "not to use strangers, but her own subjects, that it might be seen what a prince of power she was."

Her first applications to the citizens were not met with sufficient alacrity to please the imperious queen. She who could imprison a favorite for life, or send a rival to the block, was checked by her plebeian, but wealthy, subjects. The pride of the eighth HENRY had descended with his crown to his daughter, and she caused it to be intimated to the unwilling merchants that, to borrow their money "was a matter of great grace and favor." On another occasion, the haughty Tudor incarcerated a resolute citizen, who was too modest to place himself under so great an obligation. It is scarcely possible to bestow too much praise on the princely merchant who originated the idea which saved the kingdom from foreign loans, which gave the large interest paid by the State to the English trader, and which, at the same time, offered to the crown a security never possessed through the agency of means so legitimate. It was owing to his active exertions that the principle was carried out, and the objections of the citizens conquered. The accommodation was found to be in some measure reciprocal; at a late period the merchants trading to Turkey acted as bankers to the nation, by borrowing a considerable amount of bullion previously lying idle in the tower.

That the character of GRESHAM has not been overrated is proved by the scheme he devised at Antwerp, for operating on the exchanges, so as to render them favorable to England. He promised EDWARD VI., during the reign of whom this occurred, that if he might pursue his own views, he would remove all his sovereign's difficulties in two years. The following is his plan, relieved from its antiquated spelling:

"My request shall be to his majesty and you, to appoint me out, weekly,

twelve or thirteen hundred pounds, to be secretly received at one man's hands, so that it may be kept secret, and that I may thereunto trust, and that I may make my reckoning thereof assuredly. I shall so use the matter here in the town of Antwerp, that every day I will be sure to take up two or three hundred pounds sterling by exchange. And thus doing, it shall not be perceived, nor yet shall be occasion to make the exchange fall. For that it shall be taken up in my name. And so by these means, in working by deliberation and time, the merchant's turn also shall be served. As also this should bring all merchants out of suspicion, who do nothing towards payment of the king's debts, and will not stick to say, that ere the payment of the king's debt be made, it will bring down the exchange to 13s. 4d., which I trust never to see that day. So that by this you may perceive if that I do but take up every day but £200 sterling, it will amount in one year to £72,000, and the king's majesty oweth here at this present £108,000, with the interest money that was prolonged before this time. So that, by these means, in two years, things will be compassed accordingly, and my purpose set forth."

"How correct," says Mr. BURGON, in his "Life and Times of Sir THOMAS GRESHAM," "he was in the results he anticipated, from these and similar measures, appeared in the sequel by the success which attended them. He found means in a short space to raise the exchange from sixteen shillings Flemish for the pound sterling to twenty-two shillings, at which rate he discharged all the king's debts, and by this means money was rendered plentiful and trade prosperous, while the credit of the crown became established on a firmer basis abroad than it had ever been before."

CHAPTER II.

DANGER OF CHARLES I.—SEIZURE OF THE MERCHANTS' MONEY—ROYAL EXCHANGER—ABOLITION OF THE OFFICE—THE HEBREW IN ENGLAND—HOSTILITY TO THE HEBREW—THE PROTECTOR'S DESCENT—GOLDSMITHS' NOTES—THE FIRST BANKER—DIFFICULTIES OF CHARLES II.—EXACTION OF THE GOLDSMITH—FIRST RUN ON THE BANKERS—EXPEDIENT OF CLIFFORD—PANIC IN THE CITY—PUBLIC INDIGNATION—INTEREST ALLOWED.

THE robberies successively exercised upon the Jew and the Lombard, in the dark ages of the PLANTAGENETS, were successfully imitated at a later and more polite period by the STUARTS; but the very blow which appeared likely to crush the infant spirit of banking proved its support. The new features, which in the seventeenth century were developed in its history, arose from a repetition of one of those tyrannical acts which, in their own opinion, too often form "the right divine of kings." An evil spirit—the spirit of contention—was abroad. The people were beginning to arouse themselves from the apathy with which they had hitherto borne the successive despotic acts of their sovereigns. "Genius and capacity of all kinds," according to HUME, "began to exert themselves, and to be distinguished by the public." The danger environing CHARLES from an opposition which ranked among its members the "sagacity of PYM, and the ardor of St. JOHN, the daring impetuosity of HOLLIS, the chivalric valor of HAMPDEN, the brilliant eccentricity of VANE, and the profound subtlety, yet magnificent ambition of the future master of them all—CROMWELL"—rendered money necessary to the monarch. The treasure arising from the accumulated gains of the merchants had been deposited by them in the mint, then within the tower, with a perfect conviction of its safety. If the short-sighted policy of the earlier kings of England had extorted money from the Jew and the Lombard, at least they borrowed from their English subjects; it remained for the polished CHARLES to sully his fair fame by robbing them.

Yet, let him not be judged too harshly. Right and wrong assume new aspects under varying circumstances. The monarch trembled on his throne. His prerogatives were denied. His favorite minister was impeached. The claims of his children were endangered. A discontented people were opposed to a perfidious court. An irritated Parliament were thwarting a proud aristocracy. The supplies were stopped, and levies were made in vain. To compass these dangers money was required; to gain it by ordinary means was impracticable. Ere judgment be passed, let these things be remembered. Rank, family, life, were in the balance, and the monarch yielded. The money placed by the merchants in the mint, amounting to two hundred thousand pounds, was seized; the sanctuary of a people's commercial faith was violated to supply the royal necessities.

Another palliation to the mind of CHARLES might perhaps be in the consideration that the money belonged to the merchants; that the merchants were mostly citizens; and that the citizens were strenuous sup-

porters of the opposition. Some idea of their feelings toward the monarch may be gathered from the following picture, by the first essayist of the day: "The people of this great city had long been thoroughly devoted to the national cause. Their houses, their purses, their pikes, were at the command of the representatives of the nation. London was in arms all night. The next day the shops were closed; the streets were filled with immense crowds; the multitude pressed around the king's coach, and insulted him with opprobrious cries."

The knowledge that the seizure of the merchants' money might cripple their power, that in its possession he would gain an important addition to his own strength, and that it was only to be regarded as an equitable punishment for their defalcation, must be accepted as some extenuation of this great wrong. A sufficient amount of evil, which no sophistry can palliate and no excuse mitigate, rests upon that "gray, discrowned head," without adding another heavy accusation to the many justly brought against him, "whose popularity with the present generation," says MACAULAY, "is owing to his VANDYKE dress, his handsome face and his peaked beard."

The office of royal exchanger must not be omitted. Up to the reign of HENRY VII. this prerogative of the monarch continued to be exercised. English coins were not allowed to be exported, and the right of exchanging them for other money belonged to the crown. The royal exchanger was alone entitled to give the native for foreign coin, or for bullion.

During the reign of HENRY VIII. the circulation became so debased as to be difficult of exchange by any one, and the office fell into disuse; the goldsmiths took advantage of this, and, deserting to a great extent their accustomed calling, began to deal in the debased money, exchanging for it plate and foreign coin. This was continued until the reign of CHARLES I., a monarch to whom a prerogative or a monopoly was almost as dear as his crown. In 1627 he re-established it by royal proclamation; but this interference with the trade of the goldsmith was received with so little satisfaction, that the king authorized the publication of a pamphlet, vindicating his rights, asserting that "the prerogative had always been a flower of the crown;" "that the goldsmiths had left off their proper trade, and turned exchangers of plate and foreign coins, for our English coins, although they had no right."

All the important bodies of the city, who could quickly perceive the evil arising from a monopoly in which they were not allowed to participate, petitioned against the revival of the office; but petitioning was in vain. The duties of "changer, exchanger and outchanger" were given to one, who twice betrayed his royal master in return, to the handsomest peer and the basest apostate of a period remarkable for its apostacy. HENRY RICH, first Earl of Holland, was installed in possession of the privilege. With the troubles of CHARLES the office was abolished; it has not been since established, having yielded to institutions which have grown out of the circumstances and character of the times.

The return of the Hebrew to that country, from which he had been ignominiously driven, is usually attributed to CROMWELL. After the first CHARLES had paid the melancholy penalty for his dissimulation, a nego-

tiation is stated to have taken place with Parliament. The demand of the Israelites was, that the laws against them should be repealed, and, provided the Bodleian library were made over to them, with an additional permission to possess St. Paul's Cathedral, as a synagogue, they would pay £500,000. However outrageous this proposal seems, if a letter in the THURLOE State papers may be trusted, it was absolutely discussed, and several debates occurred upon it. The larger sum of £800,000 was demanded; the Hebrews refused to increase their offer, and the negotiation was broken off.

The promotion of CROMWELL to the Protectorate once more excited the hopes of the exiled Israelites. The favor this great man evinced towards religious toleration, the grandeur of disposition which led him to the support of principles, requiring two centuries even partially to develop, was not overlooked. In 1654 the French ambassador in Holland, writing to the French minister in England, says: "A Jew of Amsterdam informed me for certain, that the three generals of the fleet have presented a petition to his highness the Protector, to obtain that their nation may be received in England to draw the commerce thither." The mind of CROMWELL was undoubtedly aware of all the advantages to be gained by the return of this commercial people. Permission was given to Rabbi MENASSEH BEN ISRAEL to reside in London. In all probability this permission was made with the view of testing the feelings of the people. While in England he presented a petition to CROMWELL, praying, for the Jew, a free exercise of his religion, a permission to exercise the faith of his fathers, and a license to erect synagogues for public worship; at the same time he appealed to the trading propensities of the nation, by a declaration to the Commonwealth, exhibiting the advantages which would accrue to commerce from the return of his nation. A council was appointed, and, in the fashion of the time, disputations were held. Those who were supposed to be most interested were summoned to the debate. Law, trade and divinity had their representatives. The first was favorable, the second undecided, but the third opposed the return of this people with all the rancor of an ignorant intolerance. The text-quoting fashion of the period—the spirit which led men to dispute in conventicles, and wrest words from their right meanings—the narrowness which only regarded the Hebrew as the outcast, while it forgot that he had been the favored of God—were all brought into full exercise. For four days were texts, which had been uttered in a more genial spirit, narrowed and perverted to party feeling, and for four days must CROMWELL'S enlarged mind have been eminently annoyed by the prophetic denunciations of the divinity of the land. At last it appears that something of the determined spirit which had displayed itself on other fields, cut the debate short—CROMWELL telling them, in very plain language, that they had made the question more intricate than ever; that though he wished no more reasoning, he yet begged an interest in their prayers.

No definite step appears to have resulted from this conference, and the general feeling of hostility which prevailed against the return of the Hebrews was increased by the discovery of a somewhat similar proposition from their Asiatic brethren. The avowed design of a mission from

some of their rabbis was, the establishment of a company to trade to the Levant; but the real object of their visit appears to have been, an examination of the pedigree of the Protector, in hopes of tracing a Jewish origin, and of proving him to be the MESSIAH after whom the people yearned. Whether CROMWELL encouraged this idea or not appears quite uncertain; but they obtained permission to repair to Cambridge and examine the library. They then went to Huntington, the birth-place of the Protector, to investigate his descent. Some rumors of this design soon propagated, and CROMWELL, aware of the ridicule and sarcasm to which he would be rendered liable, ordered them to return to London, from which place they soon departed. At this time, however, the Hebrews obtained admission into England, and in 1689 they must have increased considerably, as, in a petition from some merchants, complaining that the Jews were not subject to the alien duty, it was stated that £10,000 were lost yearly from the export alien duty not being levied.

The next resource of the merchants, after the violent seizure of their treasure by "the royal martyr," was to keep their cash in their own houses. To do this they were obliged to trust their servants and apprentices. As the civil war advanced, however, the love of fighting often overcame the love of honesty, and they, with the money intrusted to them, disappeared.

From the evil arose the remedy. The goldsmiths, up to this period, were employed, with some exceptions, in the ordinary way of their vocation. They were a rich body, and it was natural that the richest should be most trusted. Those servants, therefore, who yet remained in charge of their master's money, lent it, at 4d. per cent. per diem, to the goldsmith, who saw a new branch of business opening, and caught the first glimpse of modern banking. The troubles of the time, which prevented country gentlemen from keeping their rents in their own mansions, made them glad to remit it to persons of responsibility. The goldsmith was equally glad to pay a small interest, with the prospect of lending it at an increased profit; the necessitous merchant applied for loans at a high usance; the rich deposited their cash, for security, without interest; the widow and the orphan received four per cent.; and, with the money thus obtained, the goldsmith was able to increase his business by the somewhat new branch of discounting bills.

They thus became money borrowers and receivers of rents. "They lent money to the king on the security of the taxes. The receipts they issued, for the money lodged at their houses, circulated from hand to hand, and were known by the name of goldsmiths' notes. These may be considered the first kind of bank notes issued in England."

A business, at once profitable and safe, increased with the increase of commerce, and, under the prosperous sway of the Protector, must have been found a great convenience. The goldsmiths gradually arose in reputation with the extension of their transactions; they took the lead in monetary business; and, as they allowed interest on cash, however short the period of the loan, it must have been found an important assistance to all those who required a secure depository for their gains.

The modern principles of banking may thus be traced to the increased

importance of business ; to the additional facilities required by the latter, and to the disturbed spirit of the time, which gave to it an impulse it might otherwise have wanted. MAITLAND remarks that, even in his day, there were several eminent bankers who united to the department of banking the keeping of goldsmiths' shops, although they were more frequently separate. Great part of the wealth of Sir THOMAS GRESHAM was found at his death to be comprised in gold chains ; while, in 1593, a German writes, that he visited England, and saw, in Lombard-street, "all sorts of gold and silver vessels exposed to sale, as well as ancient and modern coins, in such quantities as must surprise a man the first time he sees and considers them."

The celebrity of the first banking-house belongs, by common consent, to Mr. FRANCIS CHILD. This gentleman, who was the father of his profession and possessed of large property, began business shortly after the restoration. He was, originally, apprentice to WILLIAM WHEELER, goldsmith and banker, whose shop was on the site of the present banking-house. The foundation of his importance arose from the good old fashion of marrying his master's daughter, and through this he succeeded to the estate and business. The latter he subsequently confined entirely to the banking department.

The principles on which he founded it, and the remarkable clauses in his will, by which he regulated its future conduct, are well known. It has maintained to the present day, amid all the chances and changes of banking, the same position and the same respectability which he bequeathed it.

By the year 1667 the banking business, which had increased in some proportion with commerce, had attained considerable importance.

Wealthy bodies must always hold an important position in the State, and, under a needy government, an influential one. The luxury of the court of the second CHARLES, combined with his careless disposition, compelled him to have recourse to the goldsmith. The goldsmith made him pay interest and premium to an enormous extent. Thus, a great portion of the supplies voted by the houses of Parliament came into the possession of this increasing body. The benefit which should have been derived from the parliamentary grants, was largely absorbed by the necessity which unfortunately existed of obtaining the money immediately. And how could such necessities fail to exist, when the dissipation of CHARLES produced those scenes of extravagance which were a disgrace to the king and a dishonor to the people ! The pages of PEPYS and the private records of the reign, lately published, tend to prove that the pensioner of LOUIS QUATORZE must have been utterly and completely at the mercy of the usurer.

In a curious pamphlet, published in 1676, it may be seen that the goldsmith took great advantage of the necessities of CHARLES. The monarch who lives beyond his revenue must pay the same penalty as the subject who outruns his income. He found himself at the mercy of the rich goldsmith, who made the royal debtor pay ten, twenty and thirty per cent. for accommodation, while he allowed only six per cent. for the money which went to alleviate the difficulties of the "merry monarch." A business so profitable induced the goldsmith "more and more to become

lender to the king, to anticipate all the revenue, to take every grant of Parliament into pawn as soon as it was given; also, to outvie each other in buying and taking to pawn bills, orders and tallies, so that, in effect, all the revenue passed through their hands."

The extravagant luxury of the court, however, together with the utter want of principle of CHARLES, produced a nearly fatal result upon this important interest. The imbecility with which the contest with Holland had been carried on, had involved the nation in debt and dishonor.

"The government of CHARLES," says Mr. T. BABINGTON MACAULAY,* "had suffered a succession of humiliating disasters. The extravagance of the court had dissipated all the means which Parliament had supplied for the purpose of carrying on offensive hostilities. It was determined to wage only defensive war; and even for defensive war the vast resources of England were found insufficient. The Dutch insulted the British coast, sailed up the Thames, took Sheerness, and carried their ravages to Chatham. The blaze of the ships burning in the river was seen at London; it was rumored that a foreign army had landed at Gravesend; and military men seriously proposed to abandon the tower. To such a depth of infamy had a bad administration reduced that proud and victorious community, which, a few years before, had dictated its pleasure to MAZARINE, to the States General, and to the Vatican."

The people, accustomed to the secure reign of CROMWELL, were in utter consternation. The moneyed portion of the community were seized with a panic. The country was in danger. London itself might be invaded. What security was there, then, for the money advanced to the crown? The people flocked to their debtors; they demanded their deposits; and London witnessed the *first run upon the bankers*.

The fears of the people proved fallacious, as the goldsmiths met all demands made upon them. Confidence was restored by a proclamation from the king, stating that the demands on the exchequer should be met as usual; and the run ceased.

From this period up to 1672, the goldsmiths continued their money-making trade. The difficulties of CHARLES had increased; he wanted money without the aid of Parliament. He was ambitious of absolute power; and his reign had been a succession of abortive attempts to obtain it.

The infamous cabal ministry were in office; nothing was too bad for them to attempt. If there were some palliations for CHARLES I. when he seized the money deposited in the mint, what can be urged for CHARLES II.? His throne was secure; his person popular; money was freely advanced to him on the security of his revenues. No necessity of the monarch justified the act we have to record. CHARLES I., under the pressure of unexampled necessity, had made a forced loan. CHARLES II., to gratify his immoderate passions, ordered the exchequer to be closed and no payments made. Were this not vouched for by contemporary history, we should hesitate, as we now blush, to recite it.

The relation of HUME is worthy repeating. "The king had declared that the staff of treasurer was ready for any one that could find an expe-

* For MACAULAY's chapter on the Bank, see Appendix to this volume.

dient for supplying the present necessities. SHAFTSBURY dropped a hint to CLIFFORD, which the latter immediately seized and carried to the king, who granted him the promised reward, together with a peerage. This expedient was the shutting up of the exchequer, and the retaining of all the payments which should be made into it.

“It had been usual for the bankers to carry their money to the exchequer, and to advance it on security of the funds, by which they were afterwards reimbursed when the money was levied on the public; the bankers by this traffic got eight, sometimes ten per cent., for sums which either had been consigned to them without interest, or which they had borrowed at six per cent.; profits which they dearly paid for by this egregious breach of public faith. The measure was so suddenly taken that none had warning of the danger; a general confusion prevailed in the city, followed by the ruin of many; the bankers stopped payment; the merchants could answer no bills; distrust took place every where; and men full of dismal apprehensions asked each other, what must be the scope of those mysterious counsels, whence the Parliament and all men of honor were excluded; and which commenced by the forfeiture of public credit, and an open violation of the most solemn engagements.”

The goldsmiths were ruined, and their clients ruined with them. Both had fallen by an act which stamped the monarch and his minions with infamy. But a general burst of honest indignation arose. The large sum of one million three hundred thousand pounds affected, directly or collaterally, the remotest provinces of the kingdom. The bankers were besieged; but they, innocent of this great transgression, could yield no redress. A thousand families were deprived of bread. The widow and the orphan suffered with the merchant and the trader. The universal feeling which spread throughout the length and breadth of the land, had it been resolved into words, would have uttered, with one loud voice, in the solemn warning of the psalmist, “Put not your trust in princes.” The press was resorted to, and language, stronger than the STUARTS liked or usually permitted, was boldly circulated among the people. Several pamphlets, and one octavo volume, were published, and it is a proof of the general feeling of the nation, that one writer ventured to say, “A step of this kind could proceed from nothing less than a resolution of the court to borrow no more hereafter, but to take.”

The outcry assumed so much importance, that CHARLES was compelled to yield, and we learn that six per cent., out of the hereditary excise, was paid for this sum during the remainder of his reign. It is a curious circumstance that, only two years after this, the king was able to borrow money at eight per cent., being nominally the same rate of interest charged before that event. The principal was never repaid. It was, however, made part of the national debt by WILLIAM; this act was confirmed by ANNE, and the stock ultimately became part of the celebrated South Sea Fund.

We abridge from “KNIGHT’S Pictorial History of England,” a remarkably clear and succinct account of the progress of the debt.

“Interest had been originally paid upon this sum at six per cent. up to the last year of CHARLES’ reign. From which time no provision was

made for it till 1701, the last of WILLIAM's reign, when interest was granted on the whole from 1705, at three per cent., and the principal made redeemable on payment of half its amount. The entire amount* to which the unfortunate bankers and merchants were plundered by this arrangement exceeded three millions. The £664,263 thus ultimately awarded, in satisfaction of equitable claims to six times the amount, was called the bankers' debt, and still remains undischarged with other public debts, of which it may be regarded the foundation."

* The details connected with the English national debt possess much interest, and we propose to group those figures which are most frequently required for general reference. The following table is extracted from a parliamentary return granted on the motion of Lord GODERICH, in 1859, which enters fully into all particulars of the national debt, and occupies upwards of a hundred pages, distinguishing the years of peace or war. The first item is in 1691, when there was an *unfunded* debt of £3,130,000. No *funded* debt existed until 1694, when it commenced with the comparatively trifling sum of £1,200,000, the total amount of funded and unfunded debt in that year being £6,734,297. The epochs selected below furnish abundant matter for reflection:

Years.	War or Peace.	National Debt.	Annual Interest.
1691, . . .	War with France,	£ 3,130,000 ..	£ 232,000
1697, . . .	Peace of Ryswick,	14,522,925 ..	1,322,519
1702, . . .	War of the Spanish succession,	12,767,225 ..	1,215,324
1713, . . .	Peace of Utrecht,	34,699,847 ..	3,004,287
1718, . . .	War with Spain,	40,379,684 ..	2,965,889
1721, . . .	Peace,	54,405,108 ..	2,855,380
1739, . . .	War of right of search with Spain,	46,613,883 ..	2,030,884
1742, . . .	War of the Austrian succession,	51,847,323 ..	2,157,136
1748, . . .	Peace of Aix-la-Chapelle,	75,812,132 ..	3,165,765
1756, . . .	Commencement of the seven years' war,	74,575,025 ..	2,753,566
1763, . . .	Termination of the seven years' war,	132,716,049 ..	5,032,733
1775, . . .	Commencement of war with America,	126,842,811 ..	4,703,519
1783, . . .	Termination of war with America,	231,843,631 ..	9,065,585
1793, . . .	Commencement of <i>first</i> revolutionary war with France,	247,874,434 ..	9,711,238
1802, . . .	Peace of Amiens,	537,653,008 ..	20,268,551
1803, . . .	<i>Second</i> revolutionary war with France,	547,732,796 ..	20,812,962
1815, . . .	Termination of the French and American wars,	861,039,049 ..	32,645,618
1854, . . .	War with Russia,	775,215,519 ..	27,363,889
1856, . . .	Termination of war with Russia,	808,108,722 ..	28,560,039
1859, . . .	Peace,	805,078,554 ..	28,204,299

These figures speak volumes. It is war, *and war alone*, that has saddled England with this mountain of debt, equivalent, at this moment, to four thousand millions of dollars, at 3½ per cent. interest.—*Am. Ed.*

CHAPTER III.

NATIONAL BANK REQUIRED—BANK OF CREDIT—SPECULATION IN 1694—BUBBLE COMPANIES—NEW RIVER COMPANY—BANK OF ENGLAND—WILLIAM PATERSON—BUCCANEERS OF DARIEN—SCOTTISH ENTHUSIASM—PATERSON'S LIBERALITY—THE DARIEN EXPEDITION—ITS FAILURE—GREATNESS OF THE SCHEME—FATE OF THE PROJECTOR.

THE important position assumed by England towards the middle of the seventeenth century, renders the absence of a national bank somewhat surprising. Under the sagacious government of CROMWELL, the nation had increased in commercial and political greatness; and although several projects were issued for banks, one of which was to have branches in every important town throughout the country, yet a necessity for their formation not being absolutely felt, the proposals were dismissed. During the Protectorate, however, Parliament, taking into consideration the rate of interest, which was higher in England than abroad, and that trade was thereby rendered comparatively disadvantageous to the English merchant, reduced the legal rate from eight to six per cent., and this measure, although it had been carried by the Parliament of CROMWELL, almost every act of which proved odious in the eyes of the STUARTS, was nevertheless confirmed by the legislature of CHARLES II. In 1546, the payment of interest had been rendered legal, and fixed at ten per cent. In 1624, the rate had been reduced to eight per cent.; and with the advance of commercial prosperity it has been found advisable to lower it still further.

There were many reasons for the establishment of a national bank. It was necessary for the sake of a secure paper currency. It was required for the support of the national credit. It was desirable as a method of reducing the rate of interest paid by the State; a rate so high that, according to ANDERSON, men were induced to take their money out of trade for the purpose of securing it; an operation "big with mischief." The truth is, that the times required it. The theorist may prove to demonstration the perfection of his theory; the speculator may show the certainty of its success; but unless it be a necessity, called for by the onward progress of society, it must eventually fall to the ground.

That the want of such an establishment was felt, is certain. But as such firms as CHILDS—the books of whom go back to the year 1620, and refer to prior documents—HOARES, dating from 1680, and SNOWS, from 1685—were able to assist the public demand, although at the exorbitant interest of the period, it does not occasion so much surprise that the attempt made to meet the increasing requirements of trade proved insufficient. In 1678, however, sixteen years previous to the foundation of the Bank of England, "proposals for a large model of a bank" were published, and in 1683, a "National Bank of Credit" was brought forward. In a rare pamphlet, entitled "Bank credit; or, the usefulness and security of the bank of credit examined, in a dialogue between a country gentleman and a London merchant," this idea is warmly defended. It was, however, simply to have been one of credit; nor was it proposed to form a

bank of deposit, although by the following remark of the country gentleman, it is evident that such an establishment, on a secure scale, was desirable. He says:

“Could they not, without damage to themselves, have secured the running cash of the nobility, gentry, merchants and traders of this city and kingdom, from all hazard, which would have been a great benefit to all concerned, who know not where to deposit their cash securely.”

To this, which time has proved to be a reasonable suggestion, the following reply is made by the London merchant:

“They are unwilling to meddle with money, because the scarcity of it would, perhaps, by ignorant or malicious men, be imputed to them. Possibly, for the sake of ease and convenience, they may be induced to receive and secure the running cash of such as shall desire it, yet dealing in money is not the business they purpose.”

One of the objects was, “that tradesmen, when they have a considerable quantity of goods or wares made, may, by the help of this bank, deposit their goods by raising a credit on their own dead stock, employ their servants, and increase their trade, till they get a good market, instead of selling them at a loss.”

In other words, this bank was to act as a great capitalist for the merchant, and enable the speculative man to inflict on the country the evils of over-trading. However desirable such an establishment may be as a resource on an emergency, it is far from being so ordinarily, as it would invariably tend to increase the mischief arising from undue speculation.

The directors proposed also, to encourage any “ingenious invention” tending to the promotion of linen, woollen, silk, lace or other useful manufactures.

The danger of forgery, a fearful question, and involving many interests, is met by a reply of which time has unhappily proved the fallacy. “I am well assured,” calmly and confidently replies the London merchant, “that the bills are so contrived, that it is morally impossible that they should be counterfeited.” The pages of the Newgate Calendar afford a melancholy, but conclusive reply to this assertion.

After much trouble this bank of credit was established at Devonshire House, in Bishopsgate-street. Its object, as we have related, being principally to advance money to tradesmen and manufacturers on the security of goods. Three-fourths of the value was lent on these, and bills for their amount given to the depositor.

In order to render these bills current, an appointed number of persons in each trade was formed into a society to regulate commercial concerns. Any individual possessed of such bills might, therefore, obtain from this company goods or merchandise, with as much ease as if they offered current coin.

The bank of credit does not appear to have flourished. The machinery was too complicated, and the risk of depreciation in the value of manufactures too great. It was next to impossible for such a company to exist, after the Bank of England came with its low discounts and free accommodations.

The wild spirit of speculation, that spirit which at various periods has created fearful crises in the commercial world, commenced in 1694. The

fever which from time to time has flushed the mind of the moneyed man, and given a fierce excitement to the almost penniless adventurer, was then and in the following year in full operation. The great South Sea scheme in 1720, which it will be our melancholy duty to refer to, is ordinarily considered the earliest display of this reckless spirit. But a quarter of a century before, equal ingenuity and equal villainy were exercised. Obscure men, whose sole capital was their enormous impudence, invented similar schemes, promised similar advantages, and used similar arts to entice the capitalist, which were employed with so much success at a later period. The want of a great banking association was sure to be made a pretext. Two "land banks" and a "London bank," to be managed by the magistrates, with several other proposals, were, therefore, put promisingly forward. One of these was for another "bank of credit;" and a pamphlet, published in 1694, under the title of "England's Glory," will give some idea of its nature.

"If a person desires money to be returned at Coventry or York, he pays it at the office in London, and receives a bill of credit after their form, written upon marble paper, indenturewise, or on other paper, as may be contrived, to prevent counterfeiting." It was also proposed that government should share the profits; but neither of the projects were carried out.

The people neglected their calling. The legitimate desire of money grew into a fierce and fatal spirit of avarice. The arts so common at a later day were had recourse to. Project begat project. Copper was to be turned into brass. Fortunes were to be realized by lotteries. The sea was to yield the treasures it had engulfed. Pearl fisheries were to pay impossible per centages. "Lottery on lottery," says a writer of the day, "engine on engine, multiplied wonderfully. If any person got considerably by a happy and useful invention, others followed in spite of the patent, and published printed proposals, filling the daily newspapers therewith, thus going on to jostle one another, and abuse the credulity of the people."

ANDERSON, the historian of English commerce, says, "the projectors of these made a great noise in town, for drawing on people to join with them, making use of various tricks and stratagems. At first they pretend a mighty vein of gold, silver or copper, to have been discovered in a piece of ground of their knowledge; then they agree with the lord or patentee for a small yearly rent, or a part reserved to him, to grant them a lease for twenty-one years, to dig that ground, which they immediately fall to, and give out it is a very rich mine. Next they settle a company, and divide it usually into four hundred shares, and pretend to carry on the work for the benefit of all the proprietors, who, at the beginning, purchase shares at a low rate, say ten or twenty shillings; then all on a sudden they run up the share to £3, £5, £10 and £15. When those originally and principally concerned sell out their interest, and by this and other under-hand dealings, tricking and sharpening on one another, the whole falls to the ground, and is abandoned by every body." Thus it would seem that they who lived in the "good old times" were not deficient in craft, cunning and duplicity.

Amid the many delusive and impracticable schemes were two impor-

ant projects, which have conferred great benefits on the English people. The first of these was the New River Company, the conception of Sir HUGH MIDDLETON; the second was the corporation of the Bank of England. Nature, and the great nations of antiquity, suggested the former; the force and pressure of the times demanded the latter. It is from such demands that our chief institutions arise. By precept we may be taught their propriety; by example we may see their advantages. But until the necessity is personally felt, they are sure to be neglected; and men wonder at their want of prescience, and upbraid their shortsightedness, when, with a sudden and sometimes startling success, they arise through the energy of another.

WILLIAM PATERSON, one of those men whose capacity is measured by failure or success, was the originator of the new bank; and it is perhaps unfortunate for his fame that no biography exists of this remarkable person. As the projector of the present Bank of Scotland, as the very soul of the celebrated Darien Company, and as the founder of the Bank of England, he deserves notice. A speculative as well as an adventurous man, he proved his practicability of the Darien scheme by accompanying that unfortunate expedition; and the formation of the Bank of England was the object of his desires and the subject of his thoughts for a long time previous to its establishment.

WILLIAM PATERSON was born in Traillflatt, in the county of Dumfries, in 1658. Having been educated for the church, he indulged a naturally adventurous disposition by visiting the West Indian Islands, under pretext of converting the Indians. His real occupation is stated, however, to have been very different, as he mingled with, and perhaps formed part of those daring buccaneers, the exploits of whom form so romantic a chapter in the byways of history. During this period PATERSON made himself thoroughly acquainted with the capabilities of the Isthmus of Darien, better known as the Isthmus of Panama. "This place, which is between Mexico and Peru," says a modern writer, "is within six weeks' sail of most parts of Europe, the East Indies and a part of China. It is in the heart of the West India Islands, and not far from North America. It is one of the best situations for a colony from a trading and manufacturing country on the face of the earth." The same opinion was entertained by PATERSON, who must have been thoroughly acquainted with the position and natural advantages of the place, and from his youth contemplated its colonization. "The expense of navigation to China, Japan, the Spice Islands, and the far greatest part of the East Indies will be lessened more than half, and the consumption of European commodities and manufactures will soon be more than doubled. Trade will increase trade, money will beget money, and this trading world shall need no more to want work for their hands, but will rather want hands for their work." While roving about the beautiful islands of the western Indies, PATERSON loved to listen to the buccaneers, who, after a stormy and eventful career, delighted in relating the glories of their early achievements; and with memories which still lingered on their past lives, recounted with transport the ease with which they had passed from one sea to another, driving before them the plunder they had acquired. From them he heard of precious metals in the bowels of the earth, of

fine tracts of land little known to Europeans, and of rivers sparkling over sands of gold. The romance which fired the imagination of the youth was productive, in the maturity of his manhood, of the unfortunate Darien expedition, as before leaving he satisfied himself that there was one portion of this fine country which still belonged to the Indians, the original proprietors of the soil, from whom it had never been alienated. The situation was between Portobello and Carthagena, and although under a tropical sun, the air was temperate. The soil also was rich and productive, yielding almost spontaneously the refreshing fruits of a warm and luxuriant climate.

A desire to participate in advantages similar to those enjoyed by the East India Company, was prevalent among many commercial nations, about the end of the seventeenth century. This feeling being noticed by PATERSON, he first mentioned his project to the English people, by whom it was coldly received. He then proposed it, through the agency of a rich Walloon banker, to several European States, but without success. On his return to London he formed a friendship with Mr. FLETCHER, of Saltoun, a man who "hated England, because he loved Scotland to excess." Struck with the proposal, the advantages of which he was anxious to secure for his country, FLETCHER took PATERSON to Edinburgh, and introduced him to the minister for Scotland, who, with the secretaries of State, warmly countenanced the project. The prospect of participating in the profits of the East India Company stirred all the accumulative propensities of human nature. Every thought of a nation, remarkable for an absence of undue speculation, was embarked in a scheme which promised universal riches. "The phrensy," says Sir JOHN DALRYMPLE, "of the Scotch nation to sign the solemn league and covenant, never exceeded the rapidity with which they ran to subscribe to the Darien Company. The nobility, the gentry, the merchants, the people, the royal burghs, without the exception of one, and most of the other public bodies, subscribed. Young women threw their little fortunes into the stock; widows sold their jointures to get the command of money for the same purpose." Four hundred thousand pounds—half the cash in Scotland—was subscribed. To this, England added three hundred thousand, and Hamburgh and Holland two hundred thousand more.

An agreement had been entered into, by which PATERSON was to be paid two per cent. on the stock, and three per cent. on the profits; but, in the greatness of this success, he tendered a discharge of both claims—a testimony to his entire disinterestedness. In doing so, PATERSON contrived to throw a grandeur of expression over a simple law release. "It was not suspicion of the justice or gratitude of the company, nor a consciousness that my services could ever become useless to them, but the ingratitude of some individuals, which made it common prudence to ask a retribution for six years time, and ten thousand pounds spent, in promoting the establishment of the company. But now I see it standing on the authority of Parliament, and supported by so many great and good men, I release all claim to that retribution, happy in the noble concessions made to me, but happier in the return I now make for it."

The English were startled at the enthusiasm of their neighbors. The

East India Company remonstrated. The Parliament impeached some of their countrymen for joining it. The king grew alarmed, and said "he had been ill-advised in Scotland," changed his Scotch ministry, and withdrew the promised aid. The Scottish people, far from being depressed, were animated by this. They regarded the profit as likely to be greater; undertook the vast project themselves; and neighboring nations, with surprise and respect, saw the poorest country in Europe send forth the most gallant and numerous colony which had ever passed from the old to the new world.

The 26th July, 1698, is a day memorable in the annals of Scotland, when twelve hundred persons—three hundred of whom were men of birth and influence—embarked in five stout vessels from Leith. The entire population of Edinburgh thronged to witness their departure. Tears mingled with smiles, and praises of their courage were blended with prayers for their safety. Many a fond heart looked forward with confident anticipation; and none among that earnest crowd had power to weaken the present joy with anticipations of future sorrow. Those who had been refused for want of room, hid themselves in the ships, and clung to the ropes and timbers, imploring permission to accompany the expedition. The eyes of that anxious crowd followed the white sails of the vessels as they left the harbor, and few who were interested in their progress left the pier of Leith so long as they could trace the course of these bold adventurers.

September witnessed their arrival at the proposed colony. PATERSON honorably purchased land of its Indian possessors, sent messages of amity to the Spanish settlers, and, to his eternal honor, he who at an earlier period had said, "A people and their industry are the true riches of a nation," proclaimed, as the two great principles of his commonwealth, freedom of faith and freedom of trade to all sects and to all nations. The new settlers built a fort, established a station, and consecrated both with mingled feelings of hope and love—hope for the place where they had cast their destinies—love for the home which a Scot never forgets. They found the land of unequal surface, varied by swelling hills and fair valleys, abounding with rivers, brooks and springs. Delighted with the beauty of its situation, the golden sands of its rivers, and the treasures assigned by tradition, which PATERSON, at a later period, had witnessed, they worked with all the strong good-will of settlers anxious to make a fruitful harvest from the fertile soil, and the earnestness of men willing to earn their bread by the sweat of their brow. And as the followers of "stout CORTES,"

" Silent upon a peak of Darien,"

gazed in "mute surprise" upon the broad Pacific, so, upon many a fair summer's eve did the companions of PATERSON find themselves on the summit of the loftiest "peak," gazing through the clear air of that fine climate towards the bleak mountains of their northern home. In the watch-tower which they had built upon a mountain a mile above the surface of the sea, DALRYMPLE says, they often sat, enjoying the beautiful air and speculating upon their future prospects.

The first letters from the colony were written with enthusiasm. "The wealth, fruitfulness, health and good situation of the country are much above our expectation." "In fruitfulness this country seems not to give place to any in the world." One river was named the Golden River. Another place was called the Golden Island. The seas were filled with turtle. Hunting, fowling and fishing were abundant. Grand and stately trees, without any underwood, enabled a horseman to ride for miles beneath the pleasant shade, so acceptable to the inhabitants of a sultry climate. "Strong in body and hardy in habits," says a writer in "*CHAMBERS' Journal*," they behaved differently to the effeminate Spaniards in a similar situation. In place of shrinking with disdain from the labor which could alone command success, the Caledonian settlers nerved themselves to their task. Unhappily their stock of provisions ran low, and they were compelled to accept the hospitality of the Indians, who hunted and fished to supply their necessities. Summer brought disease; provisions grew scarcer; the other colonists were forbidden to trade with them. With a deficient supply of food, their numbers daily diminishing beneath the wasting sun of a tropical climate, the bold Scots began to shrink from the dangers they had dared. But worse and more perilous evils were in reserve. The fort was attacked by the Spaniards from another portion of the isthmus, who were said to be covertly instigated by the English monarch; their numbers were thinned by disease; the remnant were weakened by famine; and the unhappy settlers, commanded by Captain CAMPBELL, after gallantly supporting the credit of the national name, had no resource but to surrender. The terms were favorable. The honors of war and safety for personal property were guaranteed them. This, added perhaps to the strong home feelings which a Scottish exile ever cherishes, decided their homeward course; and WILLIAM PATERSON, the first to leave his native soil at Leith, and the last to quit Darien, saw, with an anguish almost inexpressible, the failure of his cherished scheme. His conduct was worthy of his character. A letter of the period says: "The colonists gave PATERSON due praise, for he had been diligent and true to the end. He looks more like a skeleton than a man." The following is a touching picture, drawn by his own pen: "When the rest were preparing to go away, I was left alone on shore in a weak condition. None visited me, except Captain DRUMMOND, who, with me, still lamented the thoughts of our leaving the place, and prayed God that we might hear from our country before we left the coast." The utmost precaution could not have guarded against the miseries which assailed them. So weak were they when they left this inhospitable spot, that they were unable to weigh the anchor of the leaky vessel destined to convey them home. Thirty only of those who left the pier of Leith, with such bounding yet honorable ambition, again set foot on their native soil. The projector, though seized with temporary derangement during the voyage, was one of them. With him, the greatness of the failure was in proportion to the vast grandeur with which his imagination had invested the scheme. Not a family in Scotland escaped. In cash or kindred all suffered. It was a national calamity, which fell alike on peer and peasant. That it was not the mere dream of a speculative enthusiast, is certain from the interest taken in dis-

couraging it. That it was eminently practical, is almost proved from a people, so cautious as the Scotch, adventuring so freely. The mere fact that PATERSON embarked in it, if not a direct evidence in its favor, is at least a direct proof of his faith in its practicability. It appears, indeed, to have been a remarkably grand scheme—grand in its conception—grand in its attempted execution—and was worthy the mind of that man with whom the idea of the Bank of England originated.

The accounts of PATERSON'S after life are various. One historian reports that he assisted in forming the union between England and Scotland; that he was recommended by the Scottish Parliament to Queen ANNE; and that he received an appointment in connection with the South Sea scheme; while another says, "PATERSON* survived many years in Scotland, pitied, respected, but neglected." It is equally doubtful whether any reparation was made, as ANDERSON states, that for his great merit and public services the House of Commons voted him £18,241 10s. as a compensation; but Sir JOHN DALRYMPLE writes, "After the union he claimed reparation for his losses from the equivalent money given by the English to the Darien Company, but got nothing, because," he adds bitterly, "a grant to him from a public fund would have been only an act of humanity, and not a political job." Thus ended the attempt of the founder of the Bank of England to colonize Darien, an expedition so important, and at the same time so disastrous, that it lives in the memory of the Scottish peasant, and forms a part of his familiar superstitions to the present day. ROBERT CHAMBERS says, the peasantry of Torwoodlee, in Roxburghshire, yet believe that on a night—afterwards ascertained to be that of the death of the laird's son at Darien—all the bells in Torwoodlee house rang violently and simultaneously, without the appearance of mortal agency.

* PATERSON'S conduct, on his return to Scotland, was admirable. He set vigorously to work to frame a new plan for the colony; and wrote, in 1701, an interesting work hitherto attributed to the notorious JOHN LAW, entitled "Proposals and Reasons for constituting a Council of Trade." On his return to London, in 1701, he met with a friendly reception from King WILLIAM; but the death of that monarch, shortly afterwards, cast a temporary cloud over PATERSON'S future prospects. He had an important share in the union of the English and Scottish Parliaments, as able tracts from his pen still attest; he was unremitting in his endeavors to relieve the distress of his native country; he had a sharp controversy with JOHN LAW on paper money; and was elected member of Parliament for Dumfries, in 1708. At the treaty of Union, an indemnity in favor of PATERSON was recommended to Queen ANNE, by the Scottish Parliament, in consideration of his losses in connection with the Darien company, and of his "carrying on other matters of a public nature, much to his country's service." GEORGE I. had ascended the throne, however, before this indemnity was gained. The remainder of his years were spent at Westminster, in the metropolis, in unavailing hostility to the ruinous schemes of his relative and old financial foe, JOHN LAW. PATERSON died in January, 1719.—*Ency. Brit.* vol. xvii. See *William Paterson, the Merchant Statesman and Founder of the Bank of England, his Life and Trials*, by S. Bannister, Edinburgh, 1858. Paterson's biographer, who has industriously collected all available information regarding him, also advertises *The Writings of William Paterson, with a Biographical Introduction*, 2 vols. 8vo., 1858.

CHAPTER IV.

OPPOSITION TO THE BANK—SCARCITY OF SUPPLIES—DISTRESS OF THE ARMY—VARYING OPINIONS—ESTABLISHMENT OF THE BANK—ANALYSIS OF THE ACT—BANK AT GROCERS' HALL—BENEFICIAL EFFECTS—TRIAL OF THE BANK—WILL OF THE BANK—DEATH OF THE FIRST DEPUTY-GOVERNOR—JEALOUSY OF THE GOLDSMITHS.

FROM that political change which has been so justly termed the "great revolution," to the establishment of the Bank of England, the new government were in constant difficulties; and the ministerial mode of procuring money was degrading to a great people. The duties in support of the war waged for liberty and protestantism were required before they were levied. The city corporation was usually applied to for an advance; interest, which varied probably according to the necessity of the borrower rather than to the real value of money, was paid for the accommodation. The officers of the city went round in their turn to the separate wards, and re-borrowed in smaller amounts the money they had advanced to the State. Interest and premiums were thus often paid to the extent of twenty-five and even thirty per cent., according to the exigency of the case, and the trader found his pocket filled at the expense of the public. Mr. PATERSON gives a graphic description: "The erection of this famous bank not only relieved the ministerial managers from their frequent processions into the city, for borrowing of money on the best and nearest public securities, at ten or twelve per cent. per annum, but likewise gave life and currency to double or treble the value of its capital in other branches of public credit, and so, under God, became the principal means of the success of the campaign in 1695: as particularly in reducing the important fortress of Namur, the first material step towards the peace concluded in 1697."

To remedy this evil the Bank of England was projected, and, after much labor, WILLIAM PATERSON, aided by Mr. MICHAEL GODFREY, procured from government a consideration of the proposal. The king was abroad when the scheme was laid before the council, but the queen occupied his place. Here considerable opposition occurred. PATERSON found it more difficult to procure consent than he anticipated, and all those who feared an invasion of their interests united to stop its progress. The goldsmith foresaw the destruction of his monopoly, and he opposed it from self-interest. The Tory foresaw an easier mode of gaining money for the government he abhorred, with a firmer hold on the people for the monarch he despised; and his antagonism bore all the energy of political partisanship.

The usurer foresaw the destruction of his oppressive extortion, and he resisted it with the vigor of his craft. The rich man foresaw his profits diminished on government contracts, and he vehemently and virtuously opposed it on public principles. Loud, therefore, were the outcries, and great the exertions of all parties, when the bill was first introduced in the House of Commons. But outcries are vain, and exertions futile in oppo-

sition to a dominant and powerful party. A majority had been secured for the measure, and they who opposed its progress covered their defeat with vehement denunciations and vague prophecies. The prophets are in their graves, and their predictions only survive in the history of that establishment, the downfall of which they proclaimed. "The scheme of a national bank," says SMOLLETT, "had been recommended to the ministry for the credit and security of the government, and the increase of trade and circulation. WILLIAM PATERSON was author of that which was carried into execution. When it was properly digested in the cabinet, and a majority in Parliament secured, it was introduced into the House of Commons. The supporters said it would rescue the nation out of the hands of extortioners; lower interest; raise the value of land; revive public credit; extend circulation; improve commerce; facilitate the annual supplies, and connect the people more closely with government. The project was violently opposed by a strong party, who affirmed that it would become a monopoly, and engross the whole money of the kingdom; that it might be employed to the worst purposes of arbitrary power; that it would weaken commerce by tempting people to withdraw their money from trade; that brokers and jobbers would prey on their fellow creatures; encourage fraud and gaming, and corrupt the morals of the nation."

Previous governments had raised money with comparative ease because they were legitimate. That of WILLIAM was felt to be precarious. It was feared by the money-lender that a similar convulsion to the one which had borne him so easily on the throne of a great nation, might waft him back to the shores of that Holland he so dearly loved. Thus, the very circumstances which made supplies necessary also made them scarce. In addition to these things his person was unpopular. His phlegmatic Dutch habits compared unpleasingly with those of the graceful STUARTS, whose evil qualities were forgotten in the remembrance of their showy characteristics. Neither his Dutch followers nor his Dutch manners were regarded with favor; and had it not been for his eminent kingly capacity, these things would have proved as dangerous to the throne as they tended to make the sovereign unpopular. In a pamphlet, published a few years after the establishment of the new corporation, is the following vivid picture of this monarch's government: "In spite of the most glorious prince, and most vigilant general the world had ever seen, yet the enemy gained upon us every year; the funds were run down, the credit jobbed away in Change Alley, the king and his troops devoured by mechanics and sold to usury, tallies lay bundled up like Bath faggots in the hands of brokers, and stock jobbers; the Parliament gave taxes, levied funds, but the loans were at the mercy of those men—the jobbers—and they showed their mercy, indeed, by devouring the king and the army, the Parliament, and indeed the whole nation; bringing their great prince sometimes to that exigence, through inexpressible extortions that were put upon him, that he has even gone into the fields without his equipage, nay, even without his army; the regiments have been unclothed when the king has been in the field, and the willing, brave English spirits, eager to honor their country and follow such a king, have marched even to battle without either stockings or shoes, while his ser-

vants have been every day working in Exchange Alley to get his men money of the stock jobbers, even after all the horrible demands of discount have been allowed; and at last, scarce 50 per cent. of the money granted by Parliament has come into the hands of the exchequer, and that late, too late for service, and by driblets, till the king has been tired with the delay." This is a strange picture; beating even Mr. PATERSON'S account of the "processions in the city" to gain money, and adds another convincing proof of the necessity which then existed for some establishment, capable of advancing money at a reasonable rate, on the security of parliamentary grants.

The scheme proposed by WILLIAM PATERSON was too important not to meet with many enemies, and it appears from a pamphlet by Mr. GODFREY, the first deputy-governor, that "some pretended to dislike the bank only for fear it should disappoint their majesties of the supplies proposed to be raised." That "all the several companies of oppressors are strangely alarmed, and exclaim at the bank, and seemed to have joined in a confederacy against it." That "extortion, usury and oppression were never so attacked, as they are likely to be by the bank." That "others pretend the bank will join with the prince to make him absolute. That the concern have too good a bargain, and that it would be prejudicial to trade." In Bishop BURNET'S "History of his Own Times," we read an evidence of Mr. GODFREY'S truth. "It was visible that all the enemies of government set themselves against it with such a vehemence of zeal, that this alone convinced all people that they saw the strength that our affairs would receive from it. I had heard the Dutch often reckon the great advantage they had had from their banks, and they concluded that as long as England remained jealous of her government, a bank could never be settled among us, nor gain credit among us to support itself, and upon that they judged that the superiority in trade must still be on their side.

"The advantages that the king and all concerned in tallies had from the bank were soon so sensibly felt, that all people saw into the secret reasons that made the enemies of the constitution set themselves with so much earnestness against it." Another writer says: "Some prophetic politicians intimated their apprehensions, that an institution of this kind would soon become a mere creature of government; that care would be taken to give it none but government operations; that on any sudden emergency, or even general panic, the bank might be unable to answer the demands of its creditors, and that the failure of a national bank must be attended with national ruin; that such an institution, under the influence of the executive government, would throw more real power into its hands, and add more facility to the projects of arbitrary and despotic ministers, not to say monarchs, than the erection of a citadel; that the shutting up of the exchequer in the last reign but one, after the bankers had been induced to deposit the money there, was alone sufficient to manifest the danger of trusting any mighty mass of wealth within the reach of power; and that from the time this new wheel was added to the machine of government, all its motions would be mysterious and unintelligible; and a very little cunning might serve to destroy what all the wisdom and virtue of the nation could never restore."

All these varied interests were vainly exerted to prevent the bill from receiving the royal sanction, and the Bank of England, founded on the same principles which guided the banks of Venice and Genoa, was incorporated by royal charter, dated the 27th July, 1694. From Mr. GILBART'S "History and Principles of Banking" we present the following brief analysis of this important act: "The act of Parliament by which the bank was established is entitled 'An Act for granting to their majesties several duties upon tonnage of ships and vessels, and upon beer, ale and other liquors, for securing certain recompenses and advantages in the said act mentioned, to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war with France.'" After a variety of enactments relative to the duties upon tonnage of ships and vessels, and upon beer, ale and other liquors, the act authorizes the raising of £1,200,000 by voluntary subscription, the subscribers to be formed into a corporation, and be styled "The Governor and Company of the Bank of England." The sum of £300,000 was also to be raised by subscription, and the contributors to receive instead annuities for one, two or three lives. Towards the £1,200,000 no one person was to subscribe more than £10,000 before the first day of July next ensuing, nor at any time more than £20,000. The corporation were to lend their whole capital to government, for which they were to receive interest at the rate of eight per cent. per annum, and £4,000 per annum for management; being £100,000 per annum on the whole. The corporation were not allowed to borrow or owe more than the amount of their capital, and if they did so, the individual members became liable to the creditors in proportion to the amount of their stock. The corporation were not to trade in any "goods, wares or merchandise whatever, but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, wares or merchandise upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon." The whole of the subscription was filled in a few days; twenty-five per cent. paid down; and, as we have seen, a charter was issued on the 27th of July, 1694,* of which the following are the most important points:

"That the management and government of the corporation be committed to the governor, deputy-governor, and twenty-four directors, who shall be elected between the 25th day of March and the 25th day of April each year, from among the members of the company duly qualified.

"That no dividend shall at any time be made by the said governor and company save only out of the interest, profit or produce arising out of the said capital stock or fund, or by such dealing as is allowed by act of Parliament.

"They must be natural born subjects of England, or naturalized subjects; they shall have in their own name and for their own use, severally, viz., the governor at least £4,000, the deputy-governor £3,000, and each director £2,000, of the capital stock of the said corporation.

* Passed April 25th, 1694, (according to LAWSON'S *History of Banking*, p. 40, Boston, 1852,) when king WILLIAM went in state to the House of Lords and gave the royal assent in the usual form.—*Am. Ed.*

“That thirteen or more of the said governors or directors (of which the governor or deputy-governor shall be always one) shall constitute a court of directors for the management of the affairs of the company, and for the appointment of all agents and servants which may be necessary, paying them such salaries as they may consider reasonable.

“Every elector must have, in his own name, and for his own use, £500, or more, capital stock, and can only give one vote; he must, if required by any member present, take the oath of stock, or the declaration of stock, if it be one of those people called Quakers.

“Four general courts to be held in every year in the months of September, December, April and July. A general court may be summoned at any time, upon the requisition of nine proprietors duly qualified as electors.

“The majority of electors in general courts have the power to make and constitute by-laws and ordinances for the government of the corporation, provided that such by-laws and ordinances be not repugnant to the laws of the kingdom, and be confirmed and approved according to the statutes in such case made and provided.”

When the payment was completed, it was handed into the exchequer, and the bank procured from other quarters the funds which it required. It employed the same means which the bankers had done at the exchange, with this difference, that the latter traded with personal property, while the bank traded with the deposits of their customers. It was from the circulation of a capital so formed that the bank derived their profit. It is evident, however, from the pamphlet of the first deputy-governor, that at this period they allowed interest to their depositors; and another writer, D'AVENANT, makes it a subject of complaint. “It would be for the general good of trade if the bank were restrained from allowing interest for running cash; for the ease of having three and four per cent. without trouble, must be a continual bar to industry.”

In Grocers' Hall, since razed for the erection of a more stately structure, the Bank of England commenced operations. Here, in one room, with almost primitive simplicity, were gathered all who performed the duties of the establishment. “I looked into the great hall where the bank is kept,” says the graceful essayist of the day, “and was not a little pleased to see the directors, secretaries and clerks, with all the other members of that wealthy corporation, ranged in their several stations according to the parts they hold in that just and regular economy.” The secretaries and clerks altogether numbered but fifty-four, while their united salaries did not exceed £4,350. But the picture is a pleasant one, and though so much unlike present usages, it is a doubtful question whether our forefathers did not derive more benefit from intimate association with and kindly feeling toward their inferiors, than their descendants receive from the broad line of demarcation adopted at the present day.

The effect of the new corporation was almost immediately experienced. On the 8th August, in the year of its establishment, the rate of discount on foreign bills were six per cent.; and although this was the highest legal interest, yet much higher rates had been previously demanded. The name of WILLIAM PATERSON was not long upon the list of directors,

The bank was established in 1694, and for that year only was its founder among those who managed its proceedings. A century and a half has passed. The facts which led to his departure from the honorable post of director are difficult to collect; but it is not at all improbable that the character of PATERSON was too speculative for those with whom he was joined in companionship. Sir JOHN DALRYMPLE remarks: "The persons to whom he applied made use of his ideas, took the honor to themselves, were civil to him awhile, and neglected him afterwards." Another writer says: "The friendless Scot was intrigued out of his post, and out of the honors he had earned." These assertions must be received with caution; accusations against a great body are easily made; and as it is rarely consistent with the dignity of the latter to reply, they are received as truths either because people are too idle to examine, or because there is no opportunity of investigating them.

Success provoked competition. A bank was proposed by Dr. HUGH CHAMBERLAIN to advance money on the security of landed property; and though the Bank of England had no occasion to fear rivalry, they petitioned against it, and were heard by their counsel. A pamphleteer of the day says: "Estates, to a very great value, were subscribed in a short space, a deed settled, a company formed, and all things disposed to put this wonderful project into execution." All that the projectors required was money; and as that was not ready at the appointed period, "the romantic Land Bank" failed. The pamphlet of Mr. MICHAEL GODFREY offers some particulars of the Bank of England, which may account for this failure. We learn "that the directors had no fixed remuneration, but submitted themselves to what the general court chose to allow them; that such a reputation had been given to tallies, they were currently taken by private persons at fifteen and twenty per cent. less discount than they were previous to the establishment of the bank; that it was the only fund ever settled in England which had lowered the interest of money; that though the nation had been engaged in an expensive war, though thirty millions had been expended in it, and several millions captured by the enemy, yet there was a fall in interest since the bank had exerted itself; and previous to it interest had been constantly rising, and must have come to a strange exorbitancy, without the bank; that in the short space of thirty years, between two and three millions had been lost to the people by the goldsmiths breaking." With such a list of benefits conferred by one bank, the moneyed men, who believed the other to be impracticable, were wise enough to refuse their support. A paper war was carried on between the supporters of the rival companies, and the following extract will prove that, however great the sarcasm, it was at least surpassed by the ill-nature of the writer. It is entitled, "The trial and condemnation of the Land Bank at Exeter Change, for murdering the Bank of England at Grocers' Hall." A will, by no means complimentary to the directors of the latter, is supposed to be produced at the trial. "Know all our creditors by these presents, that we, the governor and company of the Bank of England, being weak in body through the wounds received from the Land Bank at Exeter Change, to whom we lay our death, but of as good sense as ever we were, finding ourselves impaired in our credit and reputation, and despairing of recovery, do make

our last will and testament. 1st. We bequeath our soul to the devil, in order to serve the public out of our creditors' money; and as to the qualities of our mind, we dispose them as follows, namely, all our skill in foreign exchanges, and our probity and candor in making up the accounts of the loss thereof, we give to all and every of our directors, except four or five, jointly and severally, to hold to them, and to their successors, as heir looms, and indelible monuments of their skill and probity for ever. All our obstinacy and blunders we give unto our present governor, upon trust, that he shall employ one equal third part thereof as one of the lords of the Admiralty, and the other part thereof as governor of the Bank of England. All our oaths, impudence, &c., we give unto our present deputy-governor and our dear Sir HENRY FURNESE, to hold in joint partnership during their lives, and the survivor to have the whole. All our shuffling tricks we give to our dear Sir WILLIAM GORE. All our cynicalness and self-conceit we give to our directors, Sir JOHN WARD and Sir GILBERT HEATHCOTE, equally to be divided betwixt them, share and share alike, as tenants in common. All our blindness and fear we give unto our dear OBADIAH SEDGWICK, and we also give him £5 in money to buy him a new cloth coat, a new half-beaver hat, a second-hand periwig, and an old black sword to solicit with in the lobby, and also to buy him a pair of spectacles to write letters to lords with. As to the residue of our temporal estate, (besides the said £5,) we dispose thereof as followeth: Imprimis, we devise to our own members (when they shall have paid in their whole £100 per cent.) our fund of £100,000 per annum, charged and chargeable, nevertheless, with the sum of £1,200,000, for which it stands mortgaged, by bank bills, in full satisfaction of all their great expectations from the probity and skill of our directors, advising them to accept a redemption thereof by Parliament, whenever they can have it. Item—all our ready moneys, before any of our debts are paid, we give to our executors, hereinafter named, in trust, that they shall, from time to time, until 1st August, 1696, lend the same into the exchequer, upon condition to defeat the establishment of the Land Bank; and from and after the said 1st August, then to lend out the same into the said exchequer, upon security of premises to establish our executors the next session, instead of the Land Bank, and for such other premiums as our said executors can give to themselves, for doing thereof. And we do direct our said executors to continue the stock and pensions already allowed to our past friends—they know where. And after all our ready moneys so disposed, we leave the residue of our effects for payment of bills and notes, at such days and hours, and in such manner and proportion, and with such preferences, as our said executors shall think fit. And we do hereby constitute our directors executors of this our will, giving each of them power, out of our cash, to discount their own tallies, bills and notes at par; and the bills and notes of other of our creditors at the highest discount they can get for the same. And our body we commit to be burned, with all privacy, lest our creditors arrest our corpse. In witness whereof, we have hereunto set our common seal, 4th May, 1696."

"The epitaph succeeded only in being coarse and dull; and the two," says MALCOLM, in his "History of London," "may serve to excite astonishment that an institution which has baffled every art, foreign and do-

mestic, aimed at its ruin, should have attained such a pinnacle of splendor in little more than 100 years.

"Here lies the body of the Bank of England, who was born in the year 1694, died May 5th, 1696, in the third year of its age. They had issue legitimate by their common seal, 1,200,000 called bank bills, and by their cashier two million sons of —— called SPEED's notes."

The small extent of the affairs of the company at the commencement of its existence, compared with their present magnitude, appears from an account delivered to the House of Commons on 4th December, 1696, by which the balance in favor of the bank amounted to £125,315 2s. By an act to regulate their proceedings, the bank were authorized, from 25th March, 1698, to pay their dividends half yearly, instead of quarterly, as they had been accustomed to do up to that period.

Mr. MICHAEL GODFREY, whose pamphlet has been quoted, and to whose exertions, with those of WILLIAM PATERSON, may be traced the successful establishment of the bank, met with a somewhat singular fate in 1695. Previously to this year, the allied armies had retreated before the wisdom of LOUIS, and the bravery of his soldiers. The funds supplied by the new corporation changed the scene; but the transmission of specie was difficult and full of hazard, and Mr. GODFREY left his peaceful avocations to visit Namur, then vigorously besieged by the English monarch. The deputy-governor, willing to flatter the king, anxious to forward his mission, or possibly imagining the vicinity of the sovereign to be the safest place he could choose, ventured into the trenches. "As you are no adventurer in the trade of war, Mr. GODFREY," said WILLIAM, "I think you should not expose yourself to the hazard of it."

"Not being more exposed than your majesty," was the courtly reply, "should I be excusable if I showed more concern?"

"Yes!" returned WILLIAM, "I am in my duty, and therefore have a more reasonable claim to preservation."

A cannon-ball at this moment answered the "reasonable claim to preservation," by killing Mr. GODFREY, with several officers near the king; and it requires no great stretch of imagination to fancy a saturnine smile passing over the countenance of the monarch, as he beheld the fate of the citizen who paid so heavy a penalty for playing the courtier in the trenches of Namur. Tradition states that Mr. GODFREY's remains, which were buried in the church-yard of St. Christopher le Stocks, were disinterred, to make room for the enlargement of that prosperous establishment in which he once felt so deep an interest, and in the service of which he may be said to have fallen.

The journals of the period prove that the bank had no pleasant path to pursue. The goldsmiths were jealous of their great competitor. Their business was diminished; their discounts were lowered; their transactions with government had passed to their opponents. The writer has seen sufficient evidence to convince him of the great difficulties, arising out of foreign feuds and internal division, experienced by the directors of the bank for the first ten years. Nothing but strong will, unconquerable energy, and a healthy perseverance, could have borne them on to so triumphant an issue. Looking upon the bank in its present pre-eminent position, it is difficult to imagine it borne down by jealous rivalry, struggling

for a precarious existence ; its notes at a heavy discount, without specie to meet the demands of its creditors, compelled to advertise for defaulters, and actually obliged to cash the notes payable on demand in quarterly instalments. With a government always borrowing* and always exigent, even they who so zealously supported the interest of the corporation must sometimes have shrunk from the responsibility—must sometimes have feared for the result. The plans adopted during the first few years were very different to those in use at present. The great responsibility undertaken by the direction was then unknown. Courts of proprietors were suddenly called to discuss loans to government. Emergencies which must arise in every establishment, were not met by the directors, but by meetings of the proprietors. Novel positions—and the position of the directors must have been eminently novel—were placed before the assembled courts and discussed by them. Their first and greatest difficulty has now to be related.

* The leading events of a commercial and financial character, preceding the charter of the Bank of England, were the following :

1661—1670.—Hearth money voted (1661) to CHARLES II. Coffee introduced into France. 1662. Hackney-coaches first licensed in England. The gold of Guinea freely coined into one, two and five-guinea pieces. The English first cut logwood in Honduras. Bombay and Tangier ceded to England, and free trade with Brazil. 1663. The profits of the English post-office and wine licenses granted to the Duke of York. The first saw-mill in England erected. The finances, manufactures, commerce, marine and colonial systems of France improved under COLBERT. 1664. French prohibitory tariffs established. French East India Company began to trade. 1665. London afflicted by the plague, April 28. 1666. Great fire in London, from September 2 to September 6 ; property destroyed valued at £8,000,000. 1667. A tax of twelve pence levied on every ton of coal brought into London, January 18, to aid the rebuilding of London. The first stone of the new Royal Exchange laid (August 23) by CHARLES II. The Royal Observatory, Paris, erected. 1669. Formation of the Hudson Bay Company. 1670. Shoe-buckles introduced into England, and muslins introduced from India. Bayonets invented at Bayonne.

1671—1680.—The money in the Exchequer (12th January, 1672) seized by CHARLES II. ; great confusion and commercial distress followed. 1673. Guineas rise in value to 30s. First plate-glass factory in England, at Lambeth. 1674. Tobacco monopoly vested in the Crown. 1676. Calico-printing and the Dutch loom-engine introduced into England. 1677. The Dutch expelled from Cayenne by the French. 1680. The publication of newspapers and pamphlets without a license declared (May 16) to be illegal in England. First ship sent to China by the East India Company. Tea becoming known in England. The slave trade flourishing in the American colonies ; the English took 300,000 from Africa in twenty years.

1681—1690.—A penny-post first established in London, (1683,) by a private individual named MURRAY. 1685. The Pope of Rome, by compulsory process, reduced the rates of interest on the public debt from four to three per cent. Chinese ports declared open to foreigners. 1686. Hudson's Bay Company's forts in America destroyed by the Dutch. 1688. The Venetians made further progress in Dalmatia. Bank of Stockholm founded.

1691—1700.—Maritime trade of England suffers (1691) from French privateers. 1692. Commencement of the English national debt. Poll-tax authorized in England. Rice produced largely in Carolina. 1693. First lottery grant in England. Origin of the Bank of England, (1694, 25th April,) under WILLIAM III.

CHAPTER V.

SUSPENSION OF THE BANK—ITS NOTES AT A DISCOUNT—COMMENCEMENT OF STOCK JOB-
BING—EXTENSION OF THE CHARTER—ACCUSATIONS AGAINST THE DIRECTORS—THEIR
DEFENCE—ATTEMPT TO INJURE THE BANK—PROPOSALS FOR BRANCH BANKS—PROJECTED
INVASION—RUN UPON THE BANK—ASSISTANCE RENDERED.

THE rash scheme of the Land Bank had done some mischief to the young establishment; the re-coinage of the silver did more. This important measure was supported by Mr. MONTAGUE, who acted under the advice of Sir ISAAC NEWTON; and although the enemies of the expedient urged all the reasons their imagination could suggest, the proposition, after long and vehement debates, was passed. The difficulties which already envired the bank, partly from a prevalent feeling of discontent, and partly from the efforts of an opposition, which saw its cause grow weaker in proportion as the corporation assisted the government, were considerably increased by the new measure, which prevented them from meeting their engagements to pay their notes in cash. It is probable, also, that their funds were partially locked up in advances on merchandise; as, on the 6th May, 1695, an advertisement appeared in the "*London Gazette*," that the "court of directors of the Bank of England give notice they will lend money on plate, lead, tin, copper, steel and iron, at four per cent. per annum." The coins had been diminished by clipping and filing; many of the shillings contained only three pence in silver—an enormity attributed to the goldsmiths, who appear to have been rather sharp traders; counterfeit coins had also been clipped and filed, that they might pass the more readily. While the coinage was proceeding, money grew scarce. The bank was placed in a peculiar position. They had received the clipped money at its full value; they had taken guineas at thirty shillings, and when the notes issued by them in exchange came in, there was not sufficient specie to meet the daily demand. Had they paid in full they must soon have been drained of specie, and they resorted to the plan of paying cash, at first in instalments of ten per cent. once a fortnight, and afterwards, three per cent. once in three months.

But that this was only a temporary pressure, arising from extraordinary circumstances and not discredit, was proved from sealed bills, bearing interest, being received by their creditors in lieu of specie. Bank notes were advertised at twenty per cent. discount, but it must be remembered that guineas were at fifty per cent. premium. The energy with which the bank directors met these difficulties, and the vigor with which they were assisted by the ministry, prevented the evil from spreading. They made two separate calls on their shareholders of twenty per cent. each, and issued bills, bearing interest at the rate of six per cent., which they gave in exchange for bank notes. That the calls on their proprietary were not responded to by all, is proved by the following advertisement on the 6th May, 1697, to pay "the last call of twenty per cent., which

should have been paid by 10th November, 1696 : and also those indebted to the bank on mortgages, pawns, notes, bills or other securities, to pay in the said twenty per cent., and the principal and interest of these securities by 1st June next." So late as the 22d June, 1697, we read in a well-known newspaper of that date, "Bank notes were yesterday at thirteen and fourteen per cent. discount." The bank advertised also, "that for the convenience of trade while silver is re-coining, such as think fit to keep an account in a book with the bank, may transfer any sum under £5 from his own to another man's account." This was a plan originally adopted by the Bank of Amsterdam, and in all probability copied from it. Exchequer bills were also issued for £5 and £10 ; and as they were received in payment of the revenue, they passed as ready money, and were of great service during the crisis.

Exchequer tallies had been at forty, fifty and sixty per cent. discount in 1696. The duties granted by Parliament frequently proved less than the amount advanced on them. This deficiency was soon observed by the moneyed men. They also noticed the remoteness of the payments on other advances ; that the tallies varied in value, and a new trade arose in government securities. Forty and fifty per cent. was frequently lost if the owner was compelled to part with them, and the moneyed man availed himself of his capital to become the tally or stock-jobber of that day. With the notes of the national bank at twenty per cent. discount, and public securities thirty per cent. worse, we must suppose the public credit to have been insecure. WILLIAM III. was far from popular, and frequent conspiracies were formed against his person and his throne. The Jacobites were still a numerous and important body. The STUART family were yet the desire of many who disliked the present monarch. If it be added that the expenses of the war were greater than the parliamentary supplies, no further reason can be required to account for the disrepute into which the credit of the country had fallen. The evil called loudly for a remedy, and the difficulty was boldly met. The government empowered the corporation to add £1,001,171 10s. to their original stock, and public faith was restored by four-fifths of the subscriptions being received in tallies and orders, and one-fifth in bank notes at their full value, although both were at a heavy discount in the market.

The past services of the bank were not forgotten. The ministry resolved that it should be enlarged by new subscriptions ; that provision should be made for paying the principal of the tallies subscribed in the bank ; that eight per cent. should be allowed on all such tallies, to meet which, a duty on salt was imposed ; that the charter should be prolonged to August, 1710 ; that before the beginning of the new subscriptions the old capital should be made up to each member one hundred per cent., and what might exceed that value should be divided among the new members ; that the bank might circulate additional notes to the amount subscribed, provided they were payable on demand ; and in default, they were to be paid by the exchequer out of the first money due to the bank ; that no other bank should be allowed, by act of Parliament, during the continuance of the Bank of England ; that it should be exempt from all tax or imposition ; that no contract made for any bank stock to be bought or sold should be valid, unless registered in the bank books, and trans-

ferred within fourteen days. It was also enacted, that not above two-thirds of the directors of the preceding year should be re-elected in the succeeding year.

These vigorous measures were thoroughly successful. "The nation," says SMOLLETT, "did not know its own strength till it was put to trial." The corporation, also, were not to owe more than the total amount of all their increased capital. With these arrangements, the charter was extended until 1710, nor could it then be taken away until government paid the debt owing by them to the bank. By this act, the forgery of the company's seal, notes or bills, was made felony without benefit of clergy. Great gains were made; great fortunes even were won by the capitalists of the day. Sir GILBERT HEATHCOTE, one of the bank directors, gained £60,000 by the liberal scheme; and numerous estates were raised in a shorter time than was ever known.

A pamphleteer of the period states that the bank offered to lend a million without interest, for twenty-one years, if government would extend the charter to the same period. The writer good-naturedly adds, "As the bank discount at four per cent., the directors will have more command to this favor, and beyond others. They, therefore, or any of them, being merchants, easily foreseeing the great advantages by monopolizing several commodities, will be able to provide themselves, and thus monopolies may be spread." Time has pronounced this to be an unworthy objection. It may, as a principle, be confidently asserted, that, up to the present time, no accommodation has been afforded to a director by virtue solely of his office, which would not have been awarded him as a merchant of the city of London. Another writer, in "A letter concerning the bank and the credit of the nation," says, "The directors, upon a pressing occasion of the king's, had stretched their credit to a degree that could not consist with any measure of prudence, nor could the directors answer it to their members, had it been for any less occasion than the preservation of the kingdom." The reason given is sufficient excuse for the offence. The "preservation of the kingdom" was the preservation of the Bank of England. But the most triumphant answer which could be given to all these attacks was the remarkable fact, that bank stocks, given to the proprietors in exchange for tallies at fifty per cent. discount, rose to one hundred and twelve per cent. There is no reply to a fallacy so triumphant as a fact, no rejoinder to a sparkling sophism so unanswerable as a plain truth. Nothing can mark more strongly the triumph of this corporation over its enemies, nothing can more plainly evince that it was founded on safe principles, than that bank stock maintained so great a value. In addition to these things, it must be remembered that money, which ten years before had borne so high a rate of interest, was sufficiently plentiful to realize the prophecies contained in the pamphlet of Mr. MICHAEL GODFREY. "The bank will infallibly lower the interest of money." "And now the bank is established, all who want money and have security will know where to be supplied, and the terms; and there cannot be such advantages made in the public or private men's necessities for the future." The truth of these remarks is to be found in the fact, that, on the 16th of January, 1695, foreign bills, having three months to run, were discounted at six per cent.; and to those who kept accounts at the bank

only three per cent. was charged ; that on the 19th of May running notes and bills were discounted at three per cent., and that money was advanced on merchandise at four per cent.

So early as 1697, in "Some thoughts of the interest of England," a proposal was made "that the Bank of England be branched into every city and market-town in England, and that the several branches be accountable to the general bank in London for the profits of their respective branches." Had this plan been carried into effect, some of those crises which have borne ruin into many happy homes would have been averted. The entire circulation would have been in the hands of an establishment equal in stability to the government. The "*London Gazette*" would not have borne testimony to the ill-fortune or faithlessness of many firms with which the profits of a life were placed. The provinces would not have rung with the desolation which penetrated to the hearth and heart of the English peasantry. The cottager, who had hoarded his gains, earned by the waste of sinew and of strength, would not have been crushed by the intelligence that the banker of his district had failed in his great trust. The father, who left his home with a light heart, would not have returned with news which he dreaded to communicate. The grandsire and the infant, the widow and the fatherless, the maiden and the matron, would have been saved the stony bread of charity ; nor would society have been startled by so many disgraceful monetary failures, had the Bank of England possessed the entire management of that circulation which, as a responsible body, should have been placed under its control. At a later period Mr. HORNER stated, in the House of Commons, that the destruction of country bank paper had given rise to a universality of wretchedness only to be equalled by the bursting of the Mississippi bubble. "Thousands upon thousands found themselves sunk, as if by enchantment, and without any fault of their own, in the abyss of poverty." Next to a government, with which, from various reasons, it would be most unwise to place it, the greatest bank of the empire has an indisputable claim to the circulation of the country.

By the various extracts given above, it may be seen that the directors did not repose upon a bed of roses. Constantly invited to aid a needy government, and as constantly abused and upbraided by those inimical to it, they had but one path—the path of probity and rectitude—to pursue ; and by it they attained a triumphant success. During their early career, the violence with which they were assailed by their opponents stimulated their efforts. It is probable, and the course of nature justifies the supposition, that had they been unopposed, they would have failed in attaining equal importance. Uninterrupted prosperity produces presumption, and presumption is often the precursor of failure. An arrogant confidence in their good fortune, therefore, might have produced the practical conviction that they were fallible to the precise extent they considered themselves infallible. Opposition, however, induced caution, stimulated their energies, and produced an eminent and honorable success.

The ambitious spirit of France was signally displayed in 1700, to the injury of the credit of the nation. The alarm of all Europe, indeed, was excited by Louis, who, under the pretence of a will in favor of his grandson, seized upon the entire Spanish monarchy. By the possession of the

imperial fiefs in Italy, the empire was concerned. By his grasp on the Spanish Netherlands, the Dutch were deprived of their barrier against his ambition. By his hold on Spain, the great Mediterranean commerce rested at his mercy. Terror spread throughout the land; the public funds were affected, and the credit of the Bank of England, which has always paid a heavy penalty in times of national fear, for its connection with government, was shaken with the general apprehension. The same effect was produced in 1704, and the prices of public securities were again lowered. From an insurrection in Hungary, and the invasion of the German empire by the French, great evils were apprehended, which so much affected the public faith that the bank directors were once more obliged to issue sealed bills, bearing interest, for a large sum, in order to keep up their credit. The scene, however, soon changed. Blenheim witnessed our superiority; the proud fortress of Gibraltar yielded before British prowess; and the public credit of the country arose with her victories. The sealed bills enabled the bank to bear up until happier times, when its character was restored, and its usefulness once more experienced by the community.

In the year 1707, one of those invasions which were periodically threatened by the Pretender excited the accustomed alarm. The expedition was assisted by Louis XIV., and great splendor was affected in the appointments. The head of the holy Catholic faith subscribed towards the expedition. Sumptuous tents, rich tapestries and splendid liveries gave it the appearance of a triumph for a kingdom won, rather than a trial to regain an empire lost. Religious mottoes were wrought upon the standards, which looked more like the colors of a crusade than those of a political enterprise. Louis, with a grace that distinguished him, and with a compliment worthy his finished grace, "trusted he should never see the royal adventurer again." Alarm spread throughout the country. It is difficult to say whether, at the period, the Pope, the devil or the Pretender, was feared the most. The probability of an invasion by the chevalier startled the people, and a demand was immediately and extensively made for gold by the excited populace. "The late hurry of an expected invasion," says a pamphlet, entitled "The Anatomy of Exchange Alley," "sunk the price of stocks fourteen or fifteen per cent. Who were the men that made a run upon the Bank of England, and pushed at them with some particular pique, too, if possible to have run them down, and brought them to a stop of payment? Is not this disabling the government, discouraging the king's friends, and a visible encouragement of the king's enemies?" The feelings of the private bankers towards their great rival do not appear to have been very conciliatory. The same writer says, "I humbly refer to a case recent in memory, of two goldsmiths, (knights also, and one of them member of Parliament, too,) in Fleet-street, who pushed at the Bank of England at the time of the Pretender's invasion from France. One of them, it was said, had gathered a quantity of bank bills to the value of near £100,000, and the other a great sum, though not so many, and, it was said, resolved to demand them all at once. Let the gentlemen I point at inquire with what difficulty Sir R. HOARE wiped off the imputation of being a favorer of the rebellion, and how often in vain he protested he did it with no

such view, and how hard the whigs were to believe him. Sir FRANCIS CHILD, indeed, carried it with a higher hand, and afterwards pretended to refuse the bills of the bank, but still declared he did it as a goldsmith, and as a piece of justice to himself, on some points in which the bank had, as he alleged, used him ill." The proposed invasion proved the esteem with which the bank* was regarded by those whose good opinion was worth possessing. It was found that the Protestant succession had supporters as ardent as the adherents to the house of STUART. When the run took place, many, instead of withdrawing their deposits, carried all their cash to assist the establishment. The Lord Treasurer, GODOLPHIN, who, as an astute and able financier, felt that the credit of the country was connected with that of the bank, informed the directors that the queen would allow, for six months, an interest of six per cent. on their sealed bills. Nor was this all; the Dukes of Marlborough, Newcastle and Somerset, with others of the nobility, offered to advance considerable sums of money to the corporation. A private individual, who had but £500, carried it to the bank; and on the story being told to the queen, she sent him £100, with an obligation on the Treasury to repay the whole £500. It is pleasant to read of such chivalrous devotion repaid in so royal a manner. Encouragement such as this gave a firmness to the establishment, and, united with a call of twenty per cent. on the proprietors, enabled the directors to meet their difficulties and preserve their credit.

* The progress of geographical knowledge rapidly increased throughout Europe during the eighteenth century; and important projects were entertained, with a view to settle remote colonies, and thus extend the commerce with other nations. The Darien expedition, under WILLIAM PATERSON, had left Scotland in the year 1698. This gave rise to the South Sea Company in 1710—1712, and further gave rise to many of the monopolies granted early in the century. The Dutch, the Swedes and the Danes all strove to extend their commerce in the East Indies; and vigorous efforts were made by the French and the English to attain the ascendancy in the West Indies. ANSON, VANCOUVER and COOK made their noted voyages of discovery. The century was further distinguished for the introduction of cotton from Jamaica and other West India islands into Europe, and its conversion into wearing apparel, as a substitute for the use of woollen and linen goods. Before the collision between England and her colonies, ARKWRIGHT had made known his important improvement in cotton-spinning; and, soon after, the more important invention of WHITNEY accomplished for the American planter the great labor-saving machine known as the cotton gin.

1701—1710.—A "Council of Trade" suggested by WILLIAM PATERSON. In 1702 an income tax and other taxes levied in England. Manufactures were established in Russia and Denmark. 1704. The *Boston News Letter* published—the first newspaper in the American colonies. 1706. Porcelain was first made at Dresden. Exchange bills, this year, were first circulated by the Bank of England. 1707. Great financial distress prevailed in France. Paper money issued and sold at 53 per cent. discount. 1708. Bank of England charter renewed, and again in 1713. 1709. Copyright act in England, 8 ANNE. 1710. The South Sea Company originated, 6th May.

CHAPTER VI.

PRIVILEGES OF THE BANK RENEWED AND EXTENDED—DISGRACEFUL TRANSACTIONS OF THE MINE ADVENTURERS' COMPANY—BANK CAPITAL INCREASED—THE SACHEVERELL RIOTS AND PROPOSED ATTACK ON THE BANK—IMPORTANCE OF THE BANK—RUN UPON THE BANK—RENEWAL OF THE CHARTER—REDUCTION OF INTEREST—FIRST SUBSCRIPTION TO GOVERNMENT LOANS.

PRIOR to 1708, the government had paid off the principal and interest of the additional debt incurred in 1697; by this, the capital of the bank was reduced to its original amount, and in the first-named year the extension of the charter was again proposed till 1732. The same plans of passive and active resistance which had hitherto been pursued by the opponents of the bank—an opposition renewed whenever the opportunity has offered—were again resorted to with great energy. Pamphlets bearing such titles as “Remarks upon the Bank of England;” “A Short View of the Apparent Danger and Mischief from the Bank of England;” “Reasons Against the Continuance of the Bank of England;” poured from the press with a vehemence that must have proved dangerous to the young establishment, had it not been based upon a firmer foundation than the breath of popular opinion. An answer was written by NATHANIEL TENCH, whose name forms one of the earliest directors. Stow says, “The chief purpose of this defence was to vindicate the corporation and the management thereof. Not so much from the crimes they had already been guilty of in the experiment of eleven or twelve years, as the fear of what they might do hereafter.”

This pamphlet contained a very able defence of the directors, and an enumeration of their services, of which the following is the conclusion, tending to prove that there were in this, as in most cases, two sides to the question: “It might be, with truth, concluded that, since their first establishment, they never bought one foot of land; they never monopolized any one commodity; that they had been so far from obstructing trade that they had very much encouraged and enlarged it. That they had never put any hardships upon the government, as those authors would insinuate, but had at all times served it to the utmost of their power. That they had been so far from raising the interest of money, that they were the great, if not the only cause, of lowering it. That they had never concerned themselves in the election of any one member of Parliament, nor never advanced a single penny to influence any election. Neither could any man complain that he did not receive his money on demand that called for it. In short, that notwithstanding the clamor and noise their adversaries made against them, they had not brought any instance that they had been guilty of any base or unworthy action, in any one fact committed by them since their first establishment; so that all the clamor of their ill-willers had been raised upon a bare suspicion of what their successors might do hereafter.” It is satisfactory to read such a succession of services emanating from an establishment not fourteen years of age, penned also by one who could well appreciate the

troubles of his brother directors. There was another champion in the field, who published "Reasons for encouraging the Bank of England." "The bank," remarks the writer, "has been the sole cause of lowering the interest of money, which is the only fund that ever lowered it—and that, too, in time of war, when interest usually rises—by which the nation, since the bank was erected, has saved a great sum of money, having been supplied at a much cheaper rate than formerly, which doth excite industry, raise the value of land and increase trade."

The eminent services of the Bank of England to the political and commercial community, the integrity with which it had ever been conducted, and the aid rendered to government, the importance of which it had assisted to maintain, were now to be acknowledged and rewarded. Its "important banking privileges," as Mr. FENN, in his "English and Foreign Funds," truly terms them, were conveyed in return for these. By the act of 1708 their charter was extended until 1732, and it was therein provided, "That, during the continuance of the said corporation of the governor and company of the Bank of England, it shall not be lawful for any body politic or corporate whatsoever created, or to be created, other than the said governor and company, or for any other persons whatever, united or to be united in covenant or partnership exceeding the number of six persons in England, to borrow, owe, or take up any sum or sums of money on their bills or notes, payable on demand, or at a less time than six months from the borrowing thereof."

A circumstance which appeared to threaten the prosperity of the bank tended to produce the above favorable clause. The "Company of Mine Adventurers," at the head of which were peers and baronets, but which, nevertheless, proved a most melancholy bubble, arrogated many prerogatives belonging to the corporation. They erected themselves into a money bank, issued cash notes, and circulated sealed bills, until restrained by the above act. The hopes of the proprietors had been stimulated by Sir HUMPHREY MACKWORTH, the projector, who carried on his chicanery with an ability worthy a better cause. He imposed upon the proprietors for five years by "false and sham calculations of their profits—by purchasing lead from other persons' mines and declaring it to be digged from the company's mines, and by buying silver extracted from other men's lead and getting it coined in the king's mint, as coming from the company's mines." So dishonorable a course could not be pursued without discovery, and the scheme met with the fate it merited. Like the South Sea Company at a later period, it was pronounced a bubble by the House of Commons, who voted that Sir HUMPHREY MACKWORTH was guilty of "scandalous frauds," and brought in a bill to prevent the secretary and treasurer from leaving the kingdom. The bill, however, did not pass the House of Lords, for Sir HUMPHREY was a high Tory, and the Tories were in power.

Another object was gained by the government in the above charter. They were desirous of circulating exchequer bills on the security of the house duties, and the bank undertook to cancel £1,500,000 at six per cent. interest until redemption of the principal, in consideration of the privileges granted them; this, with interest, amounted to £1,775,027 17s. 10½d. The measure procured the favor of the government, as it tended

to relieve the ministers from difficulty. It was the first time that the bank had undertaken the circulation of exchequer bills, and they again issued sealed bills at an interest of 2d. per cent. per diem. These transactions rendered a new subscription of £1,001,171 10s., and another of £2,201,171 10s. necessary, which, with a call on the proprietors of fifteen per cent., amounting to £656,204 1s. 9d., increased the total capital to £5,058,547 1s. 9d. ANDERSON gives some curious particulars: "The bank," he says, "continued to permit new subscriptions for the doubling their present stock, by selling the additional stock at the rate of £115 for every £100 subscribed. All which was subscribed for between the hours of nine in the morning and one in the afternoon. Nearly one million more could have been subscribed on the same day, so great was the crowd of people coming with their money to the books."

The bank obliged themselves to advance to government £400,000 without interest, which made their original capital of £1,200,000 at eight per cent. amount to £1,600,000 at six per cent., to commence from 1st August, 1711. Discount being allowed on the said £400,000 till the 1st August, 1711, and the fifteen per cent. advance on the sale of their additional stock enabled them to pay this £400,000 to the public.

In 1709 a new danger arose to the Bank of England. The importance of the corporation, and the great wealth possessed in its treasury, have always rendered it liable to attack in times of political excitement. Large bodies, collected in haste, and agitated with passion, are rarely discriminatory. There are always a number of idle and profligate men to whom the very name of the bank possesses a charm; and up to the present day it has been periodically liable to attacks from the mobocracy. In the present case the piety of the people created a religious riot. One Dr. HENRY SACHEVERELL, an apostate Whig, was appointed to preach the annual sermon at St. Paul's, before the Lord Mayor and court of aldermen. An apostate is usually violent in proportion to his apostacy, and Dr. HENRY SACHEVERELL was no exception to the rule. The sermon was used as an engine of attack upon some of the members of her majesty's government. Among others, the Lord Treasurer was characterized as *Volpone*. The measureless impudence of the preacher attracted attention, and Sir GILBERT HEATHCOTE, a director of the Bank of England, and a wise man in his generation—for we have seen he made sixty thousand pounds by one transaction—protested against it; nor did the city authorities make the ordinary request to have it published.

But, as publicity was the worthy doctor's object, and the truth of no importance, he pretended that GARRARD, the Lord Mayor, had desired him to print it, and to him he dedicated it, with an inflammatory epistle. Impudence is generally successful for a time, and the doctor attracted attention. He was arrested and impeached, in revenge for the liberties he had taken with government. "I know," says Lord DARTMOUTH, "neither the doctor nor the doctrine had been called in question, if the word *Volpone* had been left out of the sermon." The populace—skilful judges of a sermon—chose to support the divine, and London became a scene of confusion. To the lower class the prospect of a riot is generally pleasant; and, if they can flatter themselves that it is for the cause of religion, they are doubly riotous. They now determined to support the worthy

doctor; and a body-guard of London butchers accompanied him to his trial at Westminster Hall, which the queen honored with her presence. "God bless the Church and Dr. SACHEVERELL" was echoed from mouth to mouth among the pious populace. Multitudes followed, pressing about him, and striving to kiss his hand. Money was thrown among them, by some of the better classes, who followed in hackney coaches. The anxiety of the bank directors during this period of tumult must have been great, as every day rendered them liable to attack. The divine, inflated with his popularity, looked upon himself as half hero and half martyr. The people sought the dissenting chapels, collected the hymn-books and bibles, broke up the pews and tore down the pulpits, and made a great bonfire in Lincoln's Inn Fields. There was one trifling error in destroying a church for a chapel, owing to its wanting a steeple; but the populace are not nice discriminators. Bishop BURNER only escaped by the bold and determined courage of some of the more respectable inhabitants, and their great ambition was to place a dissenting minister on the top of one of the piles; but in this they were disappointed.

The queen and court were in the utmost consternation. The citizens were in equal alarm. Intelligence reached the bank directors that the rioters were moving towards their locality. As a pious mob was no more to be trusted than a political one, the court assembled to "concert measures proper to be taken, and sent to the principal Secretary of State for a guard to prevent any attempt they might make on the bank." When the message was received, the Earl of Sunderland made its tenor known to the queen, who immediately ordered both horse and foot out to quell the tumult, leaving her own person without any protection. "God will be my guard," was her regal reply, when reminded of her danger. A detachment under Captain HORSEY was immediately ordered into the city to prevent the meditated attack on the alarmed directors. "Am I to preach or fight?" was the question of the blunt soldier, on receiving his instructions. There proved to be no occasion for either. The rioters retreated in alarm; the bank was saved from pillage, by the self-sacrifice and devotion of the queen; and the affair, which was a trial of party strength, terminated without difficulty.

Much inconvenience having been experienced from directors of the East India Company being also in the direction of the bank, it was decreed by a clause in the 9th act of Queen ANNE, 1712, that no person should be governor, deputy-governor or director of the Bank of England and the East India Company at the same time.

The bank first undertook to receive the contributions to a lottery, consisting of 150,000 tickets, at £10 each, in 1710. A great rise took place in bank stock. The nation had been depressed by war, which, though victorious, was expensive. The pride of the French had been humbled by the triumphs of the allies, and they were compelled to sue for peace—a prospect so gratifying to the nation, that on the mere probability, bank stock rose from 110 to 129. The prospect proved illusive. Louis resolved to risk another campaign; and on the negotiation being broken off, the stock fell to 107. From "The Life and Times of Bishop BURNER," a remark may be gleaned, which strongly illustrates the opinion entertained by government of the importance of the Bank of England.

“The queen’s intention to make a change in her ministers now began to break out. In June she dismissed the Earl of Sunderland from being Secretary of State, and presented the seals to Lord Dartmouth, a Tory. This gave the alarm, both at home and abroad; but the queen, to lessen that, said to her subjects here, *in particular to the governor of the Bank of England*, that she should make no other changes.” These few words mark the importance of the bank to the State; nor do they show less strikingly the political tendencies of the corporation, which regarded with suspicion a change of ministry, as paving the way to power of the exiled STUARTS. These tendencies are also a sufficient reason for the panics which have seized the English people, when an invasion in favor of this family was expected. It will be seen that, on all such occasions, the bank has experienced a call for its gold. In 1713 this effect was produced, when, at her ancient palace of Windsor, the queen was seized with an alarming illness. The buoyant hopes of the malcontents arose. An armament was reported to be ready in the ports of France. The directors of the bank were overwhelmed with consternation by a great run made upon them; and the imminence of their position may be conceived from the fact, that one of their body was sent immediately to the treasurer, to announce the danger which threatened public credit. Measures were promptly taken for its support; the health of the queen was soon happily renewed; the armament proved an idle alarm; the Pretender was in Lorraine; and the phantom which threatened the safety of the bank ceased with the fears which had given rise to it.

The same year was marked by a renewal of the charter until 1742—an extension of the privileges of the bank for ten years. Of course the proprietors had to pay for the extension. The reign of Queen ANNE had been gilded by the splendid victories of MARLBOROUGH and the chivalrous achievements of PETERBOROUGH; but victories and achievements must be paid for. An act was, therefore, passed, to raise £1,200,000 for public uses, by circulating a further sum in exchequer bills, which the managers of the great corporation—for the establishment already deserved the title—undertook, at three per cent., in consideration of their renewed privileges. They were also to receive £8,000 yearly, until all the exchequer bills in existence should be paid off. To enable the directors of the bank to effect this, they were allowed to call in money from the proprietors to form additional stock, and the corporation was to continue until the government debt was paid off—twelve month’s notice being given from the 1st of August, 1742.

In the following year the last monarch of the unfortunate house of STUART was approaching her end, and London became a scene of confusion and intrigue. The succession was uncertain, and it was equally doubtful whether the queen would name the exiled chevalier, or whether the house of Hanover would obtain the splendid prize. In 1714 she died; her death-bed agitated by the wrangling and plotting of political partisans. The fine genius of BOLINGBROKE and the sagacity of OXFORD failed before the bold energy of their opponents. Letters were sent to the elector of Brunswick; a squadron was prepared to convey him to England; the heralds-at-arms were kept in waiting to proclaim the new king; the malcontents were overawed in Scotland; and the head of the

house of Brunswick ascended the English throne as GEORGE I. A period fraught with so much anxiety to the whole kingdom could not fail to affect its great monetary establishment. The uncertainty of the future dynasty produced a run upon it, which lasted, without intermission, for several days, although without any unfavorable result, as its resources were equal to the demand. The price of bank stock, however, fell from 126 to 116.

The accession of the first GEORGE must have caused some uneasiness to the friends of the bank. The policy of the new king was unknown, and it appeared equally uncertain whether he would endeavor to win over the great landed proprietors, and with them all the important Jacobites, or, to use the words of SMOLLETT, "declare himself the head of a faction, which leaned for support on those who were enemies to the church and monarchy, on the bank and moneyed interest, raised on usury, and maintained by corruption." The race of Brunswick, however, like previous princes, found that a wealthy body, which could assist in procuring supplies, was worthy the support of the State. A power was given to the latter which it once wanted, and the bank maintained in return a close connection with government, which gave additional confidence in their credit, additional importance to their establishment, and additional dividends to their proprietary.

The rebellion of 1715 being checked before any demonstration could be made in England, it produced no effect upon the bank, and the excitement, kept alive by numerous trials, and exasperated by successive executions, was soon subdued. Tranquillity being thoroughly restored, the ministry and Parliament determined to reduce the legal rate of interest from six to five per cent. To do this, the aid of the directors of the bank was necessary, as well as that of the other powerful monetary bodies, and they agreed to provide cash for those creditors preferring their principal to a reduced interest. Three bills passed, under the names of the South Sea Act, the Bank Act and the General Fund Act. The former, (established in 1711,) by some advances to government, procured several advantages. By the bank act, the governor and company accepted an annuity of £88,751 7s. 10½d., or the principal of £1,775,027 17s. 10½d. in lieu of the present annuity of £106,501 13s. 5d. They likewise cancelled as many exchequer bills as amounted to £2,000,000, at five per cent., redeemable after one year's notice, and agreed to circulate the remaining exchequer bills at three per cent. and one penny per day. It was enacted that the former allowances should be continued to Christmas, and then the bank should have, for circulating the £2,561,025 remaining exchequer bills, the last named interest. By the same act the bank was required to advance, at five per cent., part or all of £2,500,000, towards discharging the national debt. The legal rate of interest was thus easily reduced; and it is worthy of remark, that all the fundholders accepted the terms proposed.

In 1718, subscriptions for government loans were first received at the establishment; and this practice being beneficial for various reasons, is still continued.

CHAPTER VII.

THE MISSISSIPPI COMPANY—FINANCIAL DIFFICULTIES—ROYAL BANK—PRIVILEGES OF THE COMPANY OF THE WEST—INFATUATION OF ALL CLASSES—INCREASE OF LUXURY—COUNT VAN HORN—MURDER OF A STOCK BROKER—ENORMOUS PROFITS—DEMAND FOR SPECIE.—PANIC COMMENCES—THE BANK BESIEGED—UNPOPULARITY OF LAW—DESTRUCTION OF THE COMPANY.

A HISTORY of the Bank of England and its times would scarcely be complete without a report of that monetary convulsion which shook France to the centre, and preceded the bubble of the South Sea scheme.* The unfortunate interference of the regent of France with the Mississippi Company is too remarkable an evidence of the evils which may rise from the circulation of a country being under the entire control of the State, not to demand a place in the present work.

JOHN LAW, the son of a Scotch goldsmith, was born in Edinburgh. From an early age his attention was directed to the somewhat abstruse studies of public and private credit, the state of trade and manufactures, the theory of taxation, and other matters connected with political economy. His early life was marked by irregularities, and after a career noticeable for its dissipation, he proposed a scheme to the Scottish people for the circulation of notes on the security of land. The project was rejected, and in a few years LAW found himself in Paris, about the period of the death of LOUIS XIV.† To a nation like France, LAW was a dangerous visitor. The country groaned beneath its debt. The luxurious court of LOUIS had burthened the people with taxes, which yet fell short of the necessity. The nation was on the verge of bankruptcy. The circulation of the country was injured. Industry was checked and trade destroyed. The financial difficulties of the regent were‡ great. During the last years of LOUIS, the expenditure of the nation had reached 260,000,000 livres. Paper money was issued on the credit of the State, but it sunk to an enormous discount. To supply cash, offices were created, and then sold. A comptrollership for piling wood, and an inspectorship of wigs, may offer some idea of the extreme difficulty which could compel a great government to resort to means so ludicrous. At this moment LAW came forward and proposed a paper circulation on the security of landed property and the royal revenues. The project was declined; and LAW, not a man to be easily discouraged, procured letters patent to establish a bank, which proved so fortunate, that while the

* 1711—1720.

† Died September 1, 1715, aged seventy-seven years, and was succeeded by his great-grandson, LOUIS XV., aged five years.

‡ At this time, 1716, NOAILLES was Minister of Finance, and opposed LAW's schemes.

notes of the State were at a heavy discount, those of LAW's bank were at fifteen per cent. premium. The regent D'Orleans grew jealous of this success. By an arbitrary decree, in 1718, he abolished it, and established a Royal Bank, of which he made JOHN LAW director-general. The notes rose to one per cent. premium, and the Duc D'Orleans became impressed with the idea that he had only to issue notes according to his necessities. From this period LAW's cherished project began to be developed. The scheme that rang throughout Europe as the Mississippi scheme was near its accomplishment.

The proposition which he made to the regent was to vest the privileges and possessions of all the foreign trading companies, the great farms, the mint, the king's revenues and the management of the bank, in one company, which, having all the trade and royal revenues, might multiply the notes of the bank to any extent, doubling, or even trebling, at will, the circulating medium, and, by the vastness of their funds, carry foreign trade and colonial improvements to a height hitherto unattainable. This monopoly, alike unparalleled and impracticable, met the approbation of the regent; and letters patent were granted to a commercial company, under the title of the "Company of the West." The whole province of Louisiana, watered by the noble river Mississippi, was granted to the association, and 200,000 shares were issued, of 500 livres each, and *billets d'etat*, then at sixty to seventy per cent. discount, were received at their full value in payment. So liberal a scheme, together with the prospect held out by LAW of 120 per cent. per annum, procured a favorable opinion not only from the speculative, but from the thinking. The shares were filled up, and the company became creditors to the State to the extent of a hundred millions of livres; the interest of which was settled at four per cent.

LAW, who enjoyed the regent's favor, was made director-general of the new association, which assumed the title of the Company of the Indies, from the exclusive privileges of the East India Company being added to its already extensive prerogatives. Fifty thousand new shares were issued at 550 livres each, and they immediately rose to 1,000. Ever volatile and inconsiderate, the French people received LAW's promises as gospel. The new shares were applied for with avidity. The dirty street Quincampoix, in which LAW resided, was impassable. People of the highest rank clustered about his dwelling to learn their destiny, and delicate women braved all weathers with the hope of enriching themselves. 300,000 applications were made for 50,000 shares; and the destiny of an empire, remarkable for its national *hauteur*, seemed in the hands of JOHN LAW, the son of a Scottish jeweller. Advantage was taken of this eagerness. 300,000 new shares were issued at 5,000 livres each, and the regent availed himself of the popular excitement to pay off the national debt. The whole of the foreign trade was placed in the possession of the company, and the public ran with increased eagerness at each creation of stock. Prelates, marshals and peers of that old aristocracy which once boasted a BAYARD, cringed to the lackeys, and swarmed in the ante-chamber of a Scottish adventurer. A rumor of his indisposition sent the stock down nearly 200 per cent., and the announcement of his recovery sent it up in the same proportion. The frenzy be-

came general. A rage for shares infatuated every rank. The price reached 10,000 livres in September, 1819, and the air echoed with Mississippi and Quincampoix. There appeared but one aim and one pursuit. From six in the morning until eight in the evening the street was filled with fervent worshippers of mammon. The dissolute courtiers of the yet more dissolute regent shared in the spoil. The princes of the blood were not too proud to participate. They mingled with the eager crowd; they added their voices to the Babel-like confusion; and when they won the money of the *canaille*, thought they did them too much honor in accepting it. The ante-chamber of LAW was crowded by women of rank and beauty—the mistress of LAW was flattered by ladies as irreproachable as the court of the regent would allow them to be—and interviews with LAW were sought with so much assiduity, that one lady caused her carriage to be upset to attract his attention; and another stopped before his hotel, and ordered her servants to raise the cry of “Fire.” The people emulated one another in luxury. Equipages more remarkable for splendor than taste rolled about the streets. Footmen got up behind their own carriages, so accustomed were they to that position. One of those who had done so, recollected himself in time to cover his mistake by saying he wished to see if room could be made for two or three more lackeys, whom he had resolved to hire. The son of a baker, wishing a service of plate, sent the contents of a jeweller’s shop to his wife, with directions to arrange the articles properly for supper. The opera was crowded with cooks, ladies’ maids, and *grisettes*, dressed in the superb style of fashion, who had fallen from a garret into a carriage.

The Rue Quincampoix became too confined for the mighty fever which infested the metropolis, and the Place Vendome, chosen in its stead, soon presented the appearance of a fair. But LAW was again compelled to move, owing to the complaint of the Chancellor, who could not hear the pleading of the advocates. The projector then purchased the Hotel de Soissons, and in its beautiful gardens established his temple. “In the midst, among the trees,” says Dr. МАСКАР, “about five hundred small tents and pavilions were erected. Their various colors, their gay ribbons and banners, the busy crowd which passed in and out, the hum of voices, the noise, the music, the strange mixture of business and pleasure, combined to give the place the air of enchantment.”

The various anecdotes of contemporary literature attest the mania. The private letters of the period confirm it. A few hours often witnessed an alteration in the price of ten, twenty and thirty per cent. A servant who was sent by his master to sell two hundred and fifty shares, found the value had risen sufficiently to enable him to make £20,000 sterling by the difference, with which he departed. The nobility sought alliance with many of the vulgar rich; and that feeling, so nearly allied to contempt, with which they too often regard the poor, though refined men, faded away before an eager desire to associate with and profit by the rich, but coarse, speculator. LAW’s coachman made a fortune; and when his master requested him to supply a substitute, brought two, saying, whichever the projector refused he would take for himself. Luxury reigned pre-eminent. The arts were encouraged. Beautiful paintings were imported. The graceful bust, the sculptured marble, the pictured tapestry,

were no more the exclusive property of the peer. The aristocracy were no longer the sole possessors of the elegancies which refine the mind.

“Money lightly gained was lightly spent,” says CHAMBERS; “palaces rose on all sides with the rapidity of enchantment; fortunes were lavished on furniture, equipages, dress and jewels; and entertainments were habitually given, which seemed to have had their prototypes in the fairy tales.” Paris was filled with foreigners, tempted by the reports which circulated far and wide. Nearly half a million were located there at one time. In vain did Marshal VILLARS, with more zeal than discretion, harangue the people in the open street upon their “disgusting avarice.” They indulged themselves with a laugh, as they hurried towards the mart of mammon, to purchase shares in this unrivalled bubble. That the passion for paper was carried to a great length may be collected from the phraseology of the day. To the question, “Have you any gold?” “Nothing to do with it,” was the regular answer. The herald’s college was disregarded. The armorial bearings of a peer were placed on the carriage of a *parvenu*. Folly came in the train of wealth; and the gaiety of the people was great. But the provinces grew envious of the profits of the capital. Land was sold for any price it would bring; and the proprietors hastened to Paris with the proceeds to make or mar their fortune. Bishops consecrated by partaking of the follies, and the clergy forgot the precepts which they enjoined in the practice they pursued.

“At that epoch of scandal and opprobrium,” says M. DE TOCQUEVILLE, “there was no folly or vice in which the high society did not take the lead. The degradation of men’s minds was equal to the corruption of their manners.” Assassinations and robberies were common. The Count ANTOINE VAN HORN, brother to a reigning prince, related to half the noble families of France, and connected with the Regent ORLEANS, was an evidence of the crime produced by this epoch. The description given of VAN HORN is striking: “His face was as pale and as beautifully chiselled as that of an antique statue, and a pair of singularly wild and brilliant eyes shed over the whole what might have seemed preternatural light.” A contemporary states that the ladies of the period—with whom VAN HORN was a greater favorite than with their husbands or brothers—declared that it was “almost impossible to support his ardent gaze.” The man thus remarkable for beauty became yet more remarkable for crime. The gay city of Paris was suddenly startled by a rumor that a Hebrew stock-broker had been robbed of property worth one hundred thousand crowns, and afterwards murdered; not in some lonely and un-frequented place, but in the broad day, in a crowded house, and in the very heart of the city. The rumor spread; the excitement increased; a name, more known than respected, was whispered, and Count ANTOINE VAN HORN, the scion of one of the haughtiest houses in Europe, was openly accused of the murder. The unfortunate broker had been allured to a cabaret; cries were heard from the interior of the room; the waiter locked the door; and the aristocratic count was taken almost red-handed.

The trial of VAN HORN commenced on the following day, and “the relatives of the accused,” says CHAMBERS, “now adopted a plan which throws a curious light upon the feelings and manners of the time. On

the day of the trial, they assembled at the place of justice in a body of fifty-seven, both male and female, and lined the long corridor which led to the court room. As the judges passed through this proud array, they were saluted in a mournful and supplicatory manner by the highest and noblest of Europe, and passed into the hall of trial with their minds strongly impressed, even if their hearts were not melted, by the imposing scene."

The evidence was clear, and the punishment of being broken alive on the wheel was awarded to the criminal. Disappointed in their efforts in one way, the nobility connected with the house of VAN HORN attempted another mode of saving the assassin. A petition, praying for mercy on the ground of insanity, signed by cardinals, archbishops, dukes and marquises, was presented to the regent. Many were not sufficiently noble to sign the paper, and the honor of claiming blood-relationship with a murderer was keenly contested. The regent was, however, inexorable; and when, as a last resource, it was represented that, in the armorial bearings of his mother, there was the escutcheon of VAN HORN, he only signified his will by saying, "Very well, gentlemen, I will then share the disgrace with you." Another writer says his reply was in the words of CORNEILLE :

"Le crime fait la honte, et non pas l'échafaud."

The prince remained firm, and the murderer perished on the wheel, after refusing to take a cup of poison, handed to him by one of his relatives.

In the mean time, the mania continued. The profits acquired by LAW were enormous. Fourteen estates, the titles of which were attached, were purchased by him. The Marquisate of Rosny, a title originally belonging to the illustrious SULLY, he who honored HENRI QUATRE by being his minister and friend, was amongst the number. The people of the Scottish capital were proud of calling him fellow-citizen, and conveyed the freedom of the good town in a golden snuff-box. The only obstacle to the projector's advancement to the highest offices of the State, was his religion; and LAW, who probably would have turned Hindoo as easily, changed his profession of faith from protestant to catholic, to secure the comptroller-generalship of the finances. Scientific academies honored him by electing him a member, says a modern writer, and "the flattering incense of poetry was offered up at the same shrine with the homage of an infatuated people." In one week, LAW paid the Count D'EVREUX for the Compté of Tancarville, 80,000 livres; offered to the Prince of Carignan 1,100,000 for the Hotel de Soissons; 500,000 to the Marchioness BEUVRON for her estate of Lillebonne, and 1,700,000 livres to the Marquis of Sully for his Marquisate of Rosny.

The credit of the bank was at its height in November, 1719, when six shares were sold for ten thousand livres, and the directors lent any amount of money at two per cent. The first blow was struck by the Prince de Conti, who sent an enormous quantity of paper to change into metal. Three wagons were required to remove it, and LAW drew the attention of the regent to the mischief such conduct must occasion; two-thirds of the specie, by a despotic decree, were ordered to be refunded.

But there were others who saw the coming storm and acted more judiciously. One house, famous for their funded operations, sent notes quietly and by degrees, and when they had amassed a sufficient quantity of treasure, placed it in a cart, covered it with straw, and carried it off in triumph; others purchased extensive jewelry and sent it to England or Belgium, whither they soon followed. These symptoms increased. There was a constant drain of bullion from the bank. The speculators began to think of realizing their immense profits. It was computed that five hundred millions of livres, in specie, were sent out of the country. "Knowing no means," says Mr. GASPEY, in his "Pictorial History of France," "by which he could arrest the great and alarming decline in price which speedily commenced, LAW prevailed on the regent to issue an ordinance proscribing the use of gold and silver as money, and forbidding private individuals to keep in their houses more than five hundred livres, in specie. This odious measure caused, in the course of a single month, forty millions to be deposited in the coffers of the bank.

But it was not by such means that damaged credit could be restored. The distrust of the paper constantly increased; every one sought more anxiously from day to day to convert his notes into cash; and in consequence of this an order was issued, dated May 21st, 1720, which reduced their value one-half, and suspended their payment by authority. Then rose the cry of rage, wild and menacing, against the author of the system, and against those who had taken him under their patronage. They had, however, allowed the payment of notes of ten livres. The men of the market-halls, sailors and others, bought these at low prices, and pressed towards the doors of the bank, making a passage for themselves by blows. None but such persons could venture to approach.

On 17th July, 1720, three men were killed in the crowd. Sinister voices were heard to exclaim, "If there are any who are weary of life, let them follow us." Notes like the following were sent from house to house. "Sir, or Madam: Notice is hereby given that it is intended to make another St. Bartholomew on Saturday or Sunday. Do not go out yourself, nor suffer your servants to do so. God preserve you from fire. Make your neighbors acquainted with this.—May 25th, 1720." In the month of September, for a single mark of gold, 1,800 livres, in bank notes, were given, which, ten months before, were valued at 160,000 livres in specie; and all the ecclesiastics and hospitals in France were prohibited from depositing their money in any security excepting Mississippi stock. Still it continued to decline. Various means were tried to prevent this: the sole property in one island was given to the company; and pamphlets published to demonstrate to the proprietors that the stock had no right to fall. On 21st May, the fatal decree just alluded to came out. Under pretence of having lowered the value of coin, it was declared necessary to reduce the nominal value of the notes and India stock, the former to half, and the latter from nine thousand livres a share to five thousand. Bank notes instantly lost their currency; and, to prevent tumults, the guards were placed everywhere. The Parliament remonstrated, and another decree revoked the former. On 29th May, 1720, LAW resigned his office of Comptroller-General of Finance, and it was thought necessary to allow

him a detachment of Swiss soldiers, to save him from being torn to pieces by the populace.

Every three or four days some new decree was issued. A sufficient number to fill two quarto volumes were circulated, and are now collected. The people were filled with indescribable terror, and began to send their valuables abroad, and a decree came out to prevent them. Merchants began to refuse the notes at any price, and a decree was immediately promulgated forbidding any one to reject them. This made the possessors run with them to the bank, and then another decree decided "that, owing to the tumult at the bank, on account of paying the notes, the regent thought fit to suspend the payment of them till further orders." "There was not cash in the bank," says ANDERSON, "to pay the fiftieth part of them." Persons were forbidden from meeting or assembling together under any pretence, and the military were placed in various situations to disperse them.

A consternation, soon converted into rage, seized all ranks. Disorder and confusion reigned everywhere. Inflammatory libels were posted up, and seditious papers distributed. The life of the regent was threatened. Great allowances must be made, however, as upwards of ninety millions of notes were in circulation when the bank stopped, and all classes and all conditions were in a state of bankruptcy. The depreciation of this paper was so great that a man might have starved with a hundred millions in his pocket. LAW was compelled to seek interviews with the regent by night, as he had, on one occasion, narrowly escaped with life from the enraged multitude. Fifteen people were pressed to death at the doors of the bank, in their eagerness to obtain specie, and eight or nine thousand of the indignant sufferers proceeded, with three of the bodies, to the gardens of the Palais Royal, where they destroyed the coach of LAW, and demanded his punishment. The Chamber of Deputies was sitting, and the report spread of the destruction of the carriage. Such was the vindictive feeling that one account says, "the members rose simultaneously, and expressed their joy by a loud shout; while one man, more zealous in his hatred than the rest, exclaimed, 'And LAW himself, is he torn to pieces?'" Another report says, the president, overpowered with joy, was seized with the spirit of rhyme, if not of poetry, exclaiming,

"Messieurs! Messieurs! bonne nouvelle!
Le carrosse de Lass est reduit en Canelle!"

The death-blow to all hopes that the company would redeem its credit came in November, 1720. Their privileges were taken from them, and they were reduced to a mere private company. LAW left the kingdom, escorted by some horse-guards, after declining the assistance proffered by the regent. It is a remarkable proof of this man's faith in the success of his plan, that whatever money he had made during the infatuation, he invested in the soil of France; and that, when he left the country, the only property he carried with him was a diamond worth about £5,000. Various other methods of abating the evil were adopted. Commissioners and tribunals were instituted. Six hundred millions of notes were turned into stock, and many large sums created into terminable and life annuities. All the malversations which had been com-

mitted with impunity during the excitement were rigidly inquired into. Many dishonest deeds were brought to light. Some speculators were fined, and others imprisoned. An abbé and a master of requests were condemned to decapitation. By these and other means, together with the consolation which time ever brings, the good people of Paris recovered their gaiety.

After a short residence on the continent, LAW came to England, where he dwelt during the existence of that bubble, which must have forcibly reminded him of his own career, and which followed in the train of the Mississippi scheme. It seemed as if they who had escaped from Paris had brought the epidemic* with them; and that the sober London citizens were seized with the same mania which, but a few months before, had turned all the heads in Paris. Many who, away from that furious frenzy, had laughed with national heartiness at the Parisians, found themselves, at a later period, weeping and wailing at their madness in following the example.

It is difficult to calculate to what extent the English bubble† may have resulted from the French project. It is certain that the Mississippi Company arose in some degree from the Darien undertaking. Mr. LAW confessed that the facility with which he saw the love of enterprise communicate itself throughout all classes of Scottish society, convinced him of the ease with which a similar effect, on a grander scale, might be produced; and this knowledge increased, if it did not cause, the great delusion of which he was the officiating high priest. As the Mississippi project was encouraged in some degree by the Darien scheme, so may the fever of the South Sea bubble have been caught from the contagion, and magnified by the proximity of the company of the West. For this reason, a slight sketch has been given of that enormous fraud, which preceded the project about to be related.

* To add to the accumulated evils of the time, the plague raged at Marseilles nearly ten months of this year.

† The ostensible purpose was for improving the public credit of England, and providing for the floating debt, then £10,000,000. According to HARLEY's scheme, the whole unfunded debt, including exchequer bills and all other debentures, was to be thrown into one fund, bearing an interest of six per cent.; and in addition to this boon, the holders were to enjoy the monopoly of a trade to the shores of South America, which, it was hoped, would prove not less lucrative than the commerce to the East Indies. The spirit of speculation was further indicated in 1712-'13, when Queen ANNE, of England, announced to Parliament that a new market for slaves, in Spanish America, had been opened by, and secured to Englishmen. In 1711, the Irish Linen Board was formed. In 1713, English newspapers were first stamped. At this period (1714) "*The Crisis*," by DICK STEELE, and "*The Public Spirit of the Times*," by SWIFT, caused great excitement. The publisher of the latter was punished. The rate of interest this year (1714) was fixed at five per cent. Speculation was also rife on the continent. The Bank of Vienna was established the same year. Among other literary celebrities of the day was DE FOE's "*Robinson Crusoe*," issued in 1715.—*Am. Ed.*

CHAPTER VIII.

SOUTH SEA BUBBLE—ITS COMMENCEMENT—RIVALRY WITH THE BANK OF ENGLAND—LUXURY OF THE PERIOD—NEW COMPANIES—EXTRACTS FROM CONTEMPORARY LITERATURE—ROYAL EXCHANGE AND LONDON ASSURANCE CORPORATIONS—BANK CONTRACT—PANIC OF THE PEOPLE—PARLIAMENTARY INQUIRY AND PUNISHMENT OF THE PECULATORS.

THE history of the year 1720* is the history of the South Sea delusion. ANDERSON says: "It is a year remarkable beyond any other which can be pitched upon for extraordinary and romantic projects." It is a history of wild excitement, and of wilder despair. It extended to all ages and to all classes; it created hopes which it never realized; it changed magnificent dreams into dark realities. We have seen, in our own time, how a fierce lust after money has overcome the calm calculation of the financier, the cool deduction of the mathematician, and the equability of the Christian. How the caution of the capitalist has yielded to the frenzy of desire; how the merchant, whose name stood highest in the annals of commerce, and whose credit was only limited by his conscience, has placed both name and credit in the hands of the unscrupulous adventurer. We have seen the names of men whom their country delighted to honor, stand side by side with those whose reputation was more than dark or doubtful. We have seen the man who, in his regular business, would cautiously weigh and coldly scan every circumstance that might affect the gain of fifty pounds, throw the honorable profits of a life into a scheme which promised fifty per cent. Such are the fevers and inflammations of commercial life at present, and they were the same a century ago.

"Were it not, in its consequences, so full of the materials that make tragedy," remarks a writer of the present day, "the South Sea bubble might have been represented on the stage as an admirable farce, satirizing more broadly than comedy would have thought befitting her dignity, or the common sense of probability, the eternal passion for wealth." Although the propriety of public competition is as unquestionable in governments as in individuals, yet the doubt may fairly arise how far it is to be encouraged to the prejudice of a valuable assistant, or to what extent the bidder, who offers extravagant advantages, is to be supported. We pause before we enter the shop of the man who marks his goods below the cost price; we respect the trader who keeps the even tenor of his way, without professing to sell at enormous sacrifices. How much longer, then, should a State hesitate to accept proposals which are not only extravagant, but utterly impracticable. Upon these grounds the ministers of 1720 are chargeable with the ruin and the wretchedness shortly to be related. SMOLLETT writes:

* Bremen had been recently (1716) sold to GEORGE I., the Elector of Hanover, and King of Great Britain. Newfoundland, Hudson's Bay and Acadia had been ceded to Great Britain by France; and the spirit of foreign adventure was not confined to the South Sea scheme and the Mississippi bubble (1715.)

“The king having recommended to the Commons the consideration of proper means for lessening the national debt, was a prelude to the famous South Sea Act. The scheme was projected by Sir JOHN BLUNT, who had been bred a scrivener, and was possessed of all the cunning, plausibility and boldness requisite for such an undertaking; he communicated his plan to Mr. AISLABIE, the Chancellor of the Exchequer, as well as one of the secretaries of State; he answered all their objections, and the project was adopted; they foresaw their own private advantage in the execution of the design, which was imparted in the name of the South Sea Company, of which BLUNT was a director, who influenced all their proceedings.” The pretence for the scheme was to discharge the national debt* by reducing all the funds into one.

Upon the 22d of January, 1720, the House of Commons resolved itself into a committee, to take the subject into consideration; and a subsequent proposition, made by the South Sea Company, to unite the whole of the debts of the State—amounting to £30,981,712—at five per cent., until 1727, and after that period at four per cent., for which they were to pay three millions and a half, met with great approbation from the members of the government. But the Bank of England had many friends in the House of Commons. The great services rendered by this corporation were brought forward; a strong representation was made of the injustice of thrusting so important a body aside for those who had done nothing to assist the State; and a postponement of the question for five days was obtained. This time was not lost upon the bank authorities, who offered five millions for the same privileges, being an advance of one million and a half on the proposition of the South Sea Company. The government found that the delay was highly favorable; no sooner was the offer of the bank known, than the directors of the South Sea Company called a meeting; and at a general court, they were instructed to obtain the preference at any cost; their offer of three millions and a half was increased to upwards of seven and a half millions. But the members of the first monetary establishment in the kingdom were not to be outdone; and, seized with the same emulation which animated the South Sea Company, they proposed more advantageously in several respects, and offered to give £1,700 bank stock for ever hundred pounds irredeemable long annuities. “Let any one,” says ANDERSON, “consider how this was possible.” Fortunately for the Bank of England, but unfortunately for the country, the offer of the South Sea Company met with most favor. The former ceased its bidding; the latter remained in possession of its dangerous bargain. At one time there appears to have been some idea of dividing the advantage between the bank and the South Sea Company; but Sir JOHN BLUNT is stated to have exclaimed, “No, Sir! we will never divide the child.”

The very rumor, in 1719, † that the South Sea Company were ambitious

* The Sinking Fund act, projected by WALPOLE, had been passed in the year 1717. The same year, guineas were reduced from 22 to 21 shillings. There was then prevalent in England a commercial jealousy of the Dutch. In 1718 the London custom-house was burnt.

† In November, 1719, peace had followed the war between Holland and England; one million of dollars was to be paid by Hanover for the cession of Bremen and Verden.

of incorporating with their own all the funds of the bank, East India Company and Exchequer, raised the price of their stock to 126; and no sooner was the preference given to them over their competitors known, than a signal frenzy marked alike the city and the suburb. Large premiums were paid for the refusal of stock at high prices, and on the 2d of June, 1720,* it rose to 890. Some of the directors were created baronets for "their great services;" and in a short time it reached 1,000. Artifice and exaggeration were resorted to, to maintain this unnatural elevation. Fifty per cent. was confidently predicted; inestimable markets and valuable acquisitions in the South Seas were promised; and mines of hidden treasure mysteriously alluded to by the agents of the scheme. The public mind was dazzled; all the available resources of the kingdom were embarked in wild speculations and rash undertakings. Change Alley was crowded with peers of the realm, who forgot their pride; country gentlemen, who forsook their homes; clergymen, who disregarded the dignity of their calling; and ladies, who forgot their natural timidity, in the hope of making money. The monarch was said to have profited by it. His ill-favored German mistresses made great fortunes and sent them over to Hanover; and the only exceptions among the ministry and nobility of the day were asserted to be the Dukes of ARGYLL and ROSSBROUGH, and Lord STANHOPE. On the 5th August, may be read in a contemporary journal, "Our South Sea equipages increase every day; the city ladies buy South Sea jewels; hire South Sea maids; take new country South Sea houses; the gentlemen set up South Sea coaches, and buy South Sea estates; they neither examine the situation, the nature or quality of the soil, or price of the purchase, only the annual rent and the title; for the rest, they take all by the lump, and pay forty or fifty years purchase."

That the king favored this unhappy scheme may be gathered from the correspondence of the day. On the 18th of April, 1720, the Duchess of Ormond wrote to SWIFT, "You remember, and so do I, when the South Sea was said to be my Lord OXFORD's brat, and must be starved at nurse. Now, the king has adopted it and calls it his beloved child; though perhaps you may say, if he loves it no better than his son, it may not be saying much; but he loves it as well as he does the Duchess of Kendal, and that is saying a good deal. I wish it may thrive, for some of my friends are deep in it; *I wish you were so too!*" What a proof is the latter sentence of the prevailing madness. PRIOR writes, "I am tired of politics, and lost in the South Sea. The roaring of the waves, and the madness of the people, were justly put together. It is all wilder than St. ANTHONY's dream; and the bagatelle is more solid than any thing that has been endeavored here this year."

And all these anticipations were indulged in, of a scheme which, according to SMOLLETT, promised no commercial advantages of importance, and was buoyed up by nothing but the folly and rapacity of individuals. He says, "During the infatuation produced, luxury, vice and profligacy

* The restoration of peace between Great Britain and Spain; by treaty concluded in January, 1720, gave an additional impulse to speculation in commerce, foreign mines, and manufactures.

increased to a shocking degree of extravagance. The adventurers, intoxicated by their imaginary wealth, pampered themselves with the rarest dainties, and the most expensive wines that could be imported; they purchased the most sumptuous furniture, equipage and apparel, though without taste or discernment; they indulged their criminal passions to the most scandalous excess; their discourse was the language of pride, insolence and the most ridiculous ostentation. They affected to scoff at religion and morality, and even to set heaven at defiance."

In the periodicals of the time the course of the fraud may almost be traced. At first gay and satirical, we read:

" In London stands a famous pile,
 And near that pile an alley,
 Where merry crowds for riches toil,
 And wisdom stoops to folly;
 Here sad and joyful, high and low,
 Court fortune for her graces;
 And as she smiles, or frowns, they show
 Their gestures and grimaces.
 Here stars and garters, too, appear,
 Among our lords the rabble;
 To buy and sell, to see and hear,
 The jews and gentiles squabble;
 Our greatest ladies hither come,
 And ply in chariots daily,
 Or pawn their jewels for a sum
 To venture in the alley;
 Longheads may thrive by sober rules,
 Because they think and drink not;
 But headlongs are our thriving fools,
 Who only drink and think not.
 What need have we of Indian wealth,
 Or commerce with our neighbors?
 Our constitution is in health,
 And riches crown our labors."

Where credulity is plentiful promises are equally so; where men desire money they appear to credit any falsehood, however monstrous, provided only it be plausible; "the wish is father to the thought," and while they imagine they are cheating, they often become the cheated. Exchange Alley was thronged with the duper and the duped, and Cornhill was impassable for fools and knaves. Ballads were sung about the streets, and the caricaturist was busy in his legitimate calling of satirizing the folly and the vices of the people. But who cares for caricatures when money is to be made? The spirit which levels rank and destroys distinctions—which ruins virtue and engenders vice—that fierce thirst which "grows by what it feeds on," continued to spread. The South Sea Company was a legitimate trade to some of the speculations which arose.

Schemes were proposed which would have been extravagant in 1825, and which stamped the minds of those who entertained them with what may be truly termed a commercial lunacy. One was for the "discovery of perpetual motion." Another for subscribing two millions and a half to "*a promising design hereafter to be promulgated.*" A third was a

“Company for carrying on an undertaking of great advantage, but nobody to know what it is; every subscriber who deposits £2 per share to be entitled to £100 per annum.” Even this insolent attempt on the credulity of the nation succeeded; and, when the arch-rogue opened his shop, the house was beset with applicants. In five hours £2,000 were deposited in the hands of the projector, and from that day he ceased to be heard of in England. Projects like these enlisted the lowest with the highest. On some sixpence, and on others one shilling, per cent. was paid; and, as no capital was required, the comparative beggar might indulge in the same adventurous gambling, and enjoy the same bright castles in the air which marked the dreams of the rich and the great. Some came so low as to ask only one shilling deposit on every thousand pounds. Persons of quality, of both sexes, were engaged in these. Avarice triumphed over dignity; gentlemen met their brokers at taverns; ladies at their milliner’s shops. The English historian says, “All distinctions of party, religion, sex, character and circumstance were swallowed up in this universal concern, or in some such pecuniary project. Exchange Alley was filled with a strange concourse of statesmen and clergymen, churchmen and dissenters, Whigs and Tories, physicians, lawyers, tradesmen and even multitudes of females. All other professions and employments were utterly rejected; the people’s attention wholly engrossed by this and other chimerical schemes, which were known by the denomination of bubbles.

Among the schemes advertised in derision of the propensity of the day, was one “for making butter from beech trees;” another for “an engine to remove the South Sea House to Moorfields;” a third “for teaching wise men to cast nativities.” The clerks of the South Sea Company found it a prosperous period. As the lapse of a day might make 100 per cent. difference, a £20 note was frequently given to expedite the transaction. These prerequisites were so great that the projectors wore lace dresses, and answered, when remonstrated with, that, “if they did not put gold upon their clothes, they could not make away with half their earnings.”

The following is selected from among the many epigrams of the period, to prove that a few yet retained their senses :

“A wise man laughed to see an ass
Eat thistles and neglect good grass;
But had the sage beheld the folly
Of late transacted in Change Alley,
He might have seen worse asses there
Give solid gold for empty air!”

But while the speculator “put money in his purse,” he little heeded the admonitions of the satirist. It is evident, from the following, that there were some who shrewdly guessed the advantages which the directors proposed taking to themselves :

“As fishes on each other prey,
The great ones swallowing up the small,
So fares it in the southern sea,
But whale-directors eat up all.

“Oh! would these patriots be so kind,
Here in the deep to wash their hands;
Then, like PACTOLUS, we should find
The sea indeed had golden sands.

“The nation, too, too late will find,
Computing all their cost and trouble,
Directors promises but wind,
South Sea, at best, a mighty bubble.”

New companies started up every day under the countenance of the prime nobility. The Prince of Wales was constituted governor of the Welsh Copper Company; (by which he made sixty thousand pounds, and then withdrew his name;) the Duke of Bridgewater formed an association for building houses in London and Westminster; and the Duke of Chandos appeared at the head of the York Buildings Company.

Another ingenious fraud consisted of the “Globe permits,” square bits of playing-card, on which were impressed in wax the Globe tavern, and inscribed on them “sail-cloth permits.” These cards were merely permissions to subscribe to some future sail-cloth company, and were currently sold at sixty guineas each. The confusion and crowd were so great that the same shares were sometimes sold at the same moment £10 higher in one part of the alley than another.

It is impossible to peruse the contemporary papers without surprise. The absurdity seems too glaring to excite any thing but ridicule. The *London Journal* of the 11th of June says: “The hurry of our stock-jobbing bubble has been so great this week that it has exceeded all that was ever known. There has been nothing but running about from one coffee-house to another, and from one tavern to another, *to subscribe, without examining what the proposals were.* The general cry has been, ‘*For G—’s sake let us but subscribe to something, we don’t care what it is.*’ So that, in short, many have taken them at their words, and entered them adventurers in some of the grossest cheats and improbable undertakings that ever the world heard of; and yet, by all these, the projectors have got money, and have had their subscriptions full as soon as desired.”

Mr. MACKAY, in his “Memoirs of Popular Delusions,” says: “Besides these bubbles, many others sprung up daily, in spite of the condemnation of the government and the ridicule of the still sane portion of the public. The print-shops teemed with caricatures, and the newspapers with epigrams and satires, upon the prevalent folly. An ingenious card-maker published a pack of South Sea playing cards, which are now extremely rare, each card containing, besides the usual figures, of a very small size, in one corner, a caricature of a bubble company, with appropriate verses beneath. One of the most famous bubbles was ‘Puckle’s Machine Company,’ for discharging round and square cannon balls and bullets, and making a total revolution in the art of war. Its pretensions to public favor were thus summed up in the eight of spades:

‘A rare invention to destroy the crowd
Of fools at home, instead of fools abroad.
Fear not, my friends, this terrible machine,
They’re only wounded who have shares therein.’

The nine of hearts was a caricature of the English Copper and Brass Company, with the following epigram :

‘The headlong fool that wants to be a swopper
Of gold and silver coin for English copper,
May, in Change Alley, prove himself an ass,
And give rich metal for adulterate brass.’

The eight of diamonds celebrated the company for the colonization of Acadia, with this doggrel. The reader cannot fail to admire the ease and elegance of the rhyme :

‘He that is rich and wants to fool away
A good round sum in North America,
Let him subscribe himself a headlong sharer,
And asses’ ears shall honor him or bearer.’

And in a similar style every card of the pack exposed some knavish scheme and ridiculed the persons who were its dupes. It was computed that the total amount of the sums proposed for carrying on these projects was upwards of three hundred millions sterling, a sum so immense that it exceeded the value of all the lands in England at twenty years’ purchase.”

It would be curious, were it practicable, to know the feelings of the directors of the Bank of England during this important period. It seems almost impossible for them to have escaped the universal fever. A golden prize appeared in the possession, and human nature must have repined at the success of their opponents. During a time so full of excitement it was almost impossible to argue calmly ; and they probably looked upon the gigantic success of the rival company as calculated to injure their own corporation, if not utterly to destroy it. But whatever their ideas were, the revulsion which followed must have more than compensated for them by their entire security, when the remainder of London was one great commercial wreck. Out of this universal frenzy arose two great corporate bodies. The Royal Exchange and London Assurance Companies owe their origin to this speculative period. The civil list was in arrears, and the heads of the above companies offered £600,000, on condition of obtaining charters. There is rarely great evil without accompanying good ; and these bodies, which have tended to so much individual advantage, the benefits of which have been moral as well as pecuniary ; which have provided for so many sorrows and dried so many tears, as much by their own transactions as by the great impulse afforded to the principle of life assurances, have, in some respects, atoned for the despair which followed the “delusion and the drunkenness” described.* The evil was confined to a few years ; the good will be spread over centuries. While the excitement was at its height, the Royal Exchange and London Assurance shares were respectively forced up to £250 and £175. East India stock, under the same influence, rose to 445, and bank stock to 260 per cent.

But the South Sea Company grew jealous of their rivals, and com-

* In April, 1720, appeared the royal proclamation against “*The Hell-Fire Club*.”

menced legal proceedings against some of the companies. This brought the whole affair to an issue, and a general panic seized the conductors of the bubbles. The "York buildings" fell at once 100 per cent.; and in two days, this company, with some others which were specially named, had no buyers at any price whatever. The more bare-faced bubbles immediately shrunk to their natural nothingness. The various offices were shut up; the contractors disappeared; and Change Alley was a comparative wilderness. When the law proceedings began, South Sea stock was 850 per cent., and from that time it rapidly declined, until, on the 29th September, the following month, it fell to 175.

The directors grew alarmed. In vain they promised that the Christmas dividend should be at the rate of 60 per cent., and that 50 per cent. should be guaranteed for the following twelve years. The public refused to believe, and men ran to and fro, alarm and terror in their countenance, their imaginations filled with dismal pictures of calamity. The fear was in proportion to the hope; and no one knew where the evil would cease. Thousands of families were reduced to beggary. Many were not able to withstand the shock, but died broken-hearted. Others withdrew to remote parts of the world, and perished in exile. The very name of a South Sea director was an abomination,* nor could one of them appear in the streets without danger of being insulted.

In the *London Journal* we read, "There appeared the utmost consternation in Change Alley, the day the act for suppressing them took place, which, because of the terror and confusion it struck among those brethren in iniquity, they called the day of judgment. Many of those who have been most assiduous in drawing other poor wretches into their ruin, have, besides their wealth, acquired an infamy they can never wipe off; they being followed with the reproaches, threats and bitterest curses of the poor people they have deluded to their destruction." The *Weekly Packet* says of the schemers, "they have been used to such dishonest ways of living, and hardly will take up with any course of life that is not so; insomuch that it is feared many of them will go out marauding; then stand clear the *Bristol mail*."

Public credit sustained a tremendous shock. Many bankers and goldsmiths, who had lent money on the security of the stock, were compelled to stop payment through its depreciation; and the sword-blade association, hitherto the chief cashiers of the company, followed their example. There was but one hope left to the nation. The directors of the Bank of England, always applied to in distress, and not always remembered in prosperity, were persuaded, at the instance of Sir ROBERT WALPOLE, to come forward during the early part of the panic. A general court was held, at which the governor and directors were empowered, without a dissentient voice, to agree with the South Sea Company to circulate their bonds, in hopes of sustaining the credit of the country. A memorandum was hastily drawn up, to be the foundation of a future agreement, by which the bank undertook to circulate £3,500,000 at 400 per cent. The

* It is a curious feature in the history of the times, that LAW's Mississippi scheme and the South Sea scheme, both conceived about the same time, exploded within a few days of each other. The first deluged France with bankruptcy, and the latter spread insolvency throughout England.

mania which affected all England must have seized partially on the proprietary, or so high a rate would never have been allowed. Fortunately the memorandum had not been legally ratified. The first effect of this arrangement was to support the price of the stock. Books were opened at the bank to receive subscriptions, and large sums were brought in. The bankruptcy of some large companies, however, produced a run upon the bank, and the directors renounced the agreement. The losing party commenced legal proceedings, but a hundred reasons prevented a continuance. The fear of publicity; the knowledge of their own nefarious transactions; the conviction that they had been and were acting dishonestly; the influence of those parties in power who had profited by the rascality of the transaction; the certainty that every thing would be brought to light, and that they could not (to use an expressive but homely phrase) "go into court with clean hands," wrought upon the directors of the South Sea Company; and legal proceedings were quickly abandoned.

The managers of the Bank of England retained the even tenor of their course. They had wrought no evil, they feared no reverses. They had not entered the market to raise or depress the stock; and, without alarm, they saw it daily fall in value. The South Sea Company had commenced into a distinct and positive rivalry with them. They had sought to obtain from government those advantages which had been paid for at a high rate by their competitors, and which could only be procured by their injury. If, therefore, a certain degree of satisfaction pervaded the minds of the bank directors at the downfall of their rivals, it reflects a higher degree of credit on them, that, setting aside the littleness of jealousy, they came promptly forward to render all the assistance in their power. When they found the terms, hastily named, were more in accordance with the inordinate ambition of the South Sea directors, than with the intrinsic worth of the stock, it was a duty which they owed to themselves, to their proprietary, and to the nation, to abandon the connection at once, rather than add to the misery of the people, by being engulfed in the whirlpool. "The overbearing insolence of ignorant men," says Dr. MACKAY, "who had risen to sudden wealth by successful gambling, made men of true gentility of mind and manners blush that gold should have power to raise the unworthy in the scale of society. The haughtiness of some of these "cyphering cits," as they were termed by Sir RICHARD STEELE, was remembered against them in the day of their adversity. In the parliamentary inquiry, many of the directors suffered more for their insolence than their speculation. One of them, who, in the full blown pride of an ignorant rich man, had said that he would feed his horse upon gold, was reduced almost to bread and water for himself; every haughty look, every overbearing speech, was set down, and repaid them a hundred fold in humiliation." One of the members made a motion concerning this man, whose name was GARGSBY, to the following effect: "That, since that upstart had been so prodigally vain as to bid his coachman feed his horses with gold, no doubt he could feed on it himself; and, therefore, he moved that he might be allowed as much gold as he could eat, and the rest of his estate go towards the relief of the sufferers."

During this period the king had been in Germany; but the confusion

of the nation compelled him to return, and on the 11th of November he arrived in England. Many expedients were started, when the bank, fearful of compromising their own safety, withdrew from the field. Amongst others, an engraftment of nine millions of the South Sea stock into bank, and nine into East India stock. Warm and varied debates occurred at the courts; and the proposition, though at last agreed to, and confirmed by act of Parliament, was afterwards abandoned. In the mean time, the most infamous transactions were discovered; and parliamentary language was not much regarded in the debates. A few of the speeches indulged in by the senators strike somewhat curiously on the modern ear.

The Bishop of Rochester said, "the scheme was like a pestilence." The Duke of Wharton added, that "he would give up his dearest friend if engaged in the project." Lord STANHOPE thought "every farthing of the criminals' property ought to be confiscated;" and Lord MOLESWORTH, with a fine philanthropic spirit, remarked that "the directors ought to be tied in a sack, and thrown into the Thames." Mr. SHIPPEN, the Jacobite member, said "he was glad to see a British House of Commons resuming its pristine vigor; and that there were other men, in high station, who were not less guilty than the directors." Mr. CRAGGS, Secretary of State, against whom this inuendo was directed, arose, and offered to demonstrate his innocence by fighting any man in or out of the house. Lord MOLESWORTH "wondered at his boldness; but though he was past sixty, there were plenty of young men who would not be afraid to look Mr. CRAGGS in the face." Vociferous cries of order arose; Mr. CRAGGS was compelled to apologize; and a secret committee appointed to inquire into the transactions of the South Sea Company.

It was found impossible to please the losers, who absolutely besieged the House of Commons. On one occasion the tumult was so great that the members could not proceed with the ordinary business. The riot act was read; and one from the crowd called out, with the bitter boldness of a ruined man, "You pick our pockets, and then imprison us for complaining." The governors, directors and officers of the company were brought before the bar of the House of Commons. The treasurer, who was deeply implicated, absconded; and, fear being entertained that the directors might follow his example, a proclamation was issued that none of them should leave the kingdom.

General Ross, with more energy than elegance, informed the house a train of the deepest villainy that hell ever invented to ruin a nation had been discovered. Bribery had been effected in procuring the act to be passed; and all officers of this company holding government situations were immediately removed from them. It had, indeed, been a delusion from beginning to end. A fictitious stock, amounting to £574,000, had been created, and distributed among secretaries of state, chancellors of the exchequer, duchesses, earls and countesses. The conduct of Mr. AISLABIE, Chancellor of the Exchequer, was more infamous than that of any other, as he had advised the company to increase their second subscription half a million, without any other authority than their own, and appears to have benefited to the amount of £800,000. His punishment rapidly and deservedly followed his crime. He was ignominiously expelled the house, sent to the Tower, restrained for a year from leaving

the kingdom, and ordered to make a correct account of his estate for the benefit of the sufferers. Dwellings were illuminated in testimony of delight at the sentence; a mob assembled on Tower Hill to witness his degradation; bonfires were kindled in all parts of the city, and London wore the appearance of a great festivity. The hand of Providence was on the betrayers of their country. Several members of the lower house, directors of the company, were expelled. Mr. Secretary CRAGGS and his father died while proceedings were pending, the latter leaving a million and a half for those he had assisted to ruin. The legislature restrained the persons of the directors, and marked their characters with ignominy. An impartial tribunal was scarcely to be expected. Those who had lost money were revengeful. Those who had gained endeavored to hide it under the appearance of zeal. The devices of party, the application in the name of friendship, the appeal under the plea of kindred, were all used to shield the guilty, and, in some instances, were successful in procuring a small majority. The more violent recommended hanging; and one of the members most pathetically lamented that "after all there was nobody's blood shed!"

The great historian of the "Decline and Fall of the Roman Empire" complains, "Instead of the calm solemnity of a judicial inquiry, the fortune and honor of thirty-three Englishmen were made the topics of hasty conversation, the sport of a lawless majority; and the basest member of the committee, by a malicious word or silent vote, might indulge his general spleen or personal animosity. Injury was aggravated by insult, and insult was embittered by pleasantry. Allowances of £20 or one shilling were facetiously moved. A vague report that a director had formerly been concerned in another project, by which some unknown persons had lost their money, was admitted as a proof of his actual guilt. One man was ruined because he was grown so proud that, one day, at the treasury, he had refused a civil answer to persons much above him. All were condemned, absent and unheard, in arbitrary fines and forfeitures, which swept away the greatest part of their substance."

The pens which had been employed in prophesying mischief, were not backward in affecting commiseration for the sufferers. The following is another, and the last specimen of the literature of the South Sea bubble:

"Behold a poor dejected wretch,
Who kept a South Sea coach of late,
But now is glad to humbly catch
A penny at the prison gate.

"'Tis strange one set of knaves should sour
A nation famed for wealth and wit;
But stranger still that men in power
Should give a sanction to the cheat.

"Fools lost when the directors won,
But now the poor directors lose;
And where the South Sea stock will run,
Old Nick, the first projector, knows."

The most difficult process was yet to come; it was easier to punish the delinquents than to relieve the sufferers. Through the abilities of

Mr. ROBERT WALPOLE, however, this was adjusted. It was partially done by giving to the public seven millions of the money which belonged to the company in their corporate capacity, being the profits arising from the delusion. Of their capital stock a sufficient sum to pay the claimants £33 6s. 8d. per cent., amounting to £8,900,000, was taken; and this was necessarily a great relief. Of a debt of eleven millions sterling, advanced by the company to the public on stock, the latter were relieved on paying ten per cent. on it. Thus the company would have received £1,100,000 instead of eleven millions, had all consented to the agreement, but many debtors refused to make any payment whatever.

Who can read these things and not mourn? They are not asked to deplore rapid reverses; they are not called upon to grieve for the rich man, made suddenly poor, for luxury turned to want, or the insolent man made humble; but they are called upon to grieve for our common humanity. For that melancholy madness which crushed all good feeling, which made the poor man insane from the hope of riches, and the rich man mad from the hope of extravagant wealth; which trampled alike upon human ties and natural desires, and embarked all England in a scheme destructive of moral feeling and national strength.

Thus ended this delusion, alike memorable and melancholy. There are no fine deeds standing prominently forward to redeem it; there are no noble acts which, while we deplore the cause, make us admire the effect; there is no unselfish sacrifice tending to make us proud of human nature. The prospect is one wide waste of degradation; there is nothing to sanctify, there is nothing to redeem it.

The course of this history may lead to new instances of intense thirst for gold. Speculative epochs may again occur; the events of the past may re-appear in the future. Legitimate business may again be deserted for unlawful callings, and the history of that which is gone cease to be received as a warning. Yet will the great delusion of this period stand alone in its infamy, its disgrace and its misery. And though we dare not venture to hope that the spirit which shook the country to its centre has passed away—for nations, like individuals, are liable to their fevers and their crimes—yet let it be hoped that, if witnessed again in England, a prince of the blood may not sanction it; an officer of State profit by it; members of the Senate be bribed with it; peers of the realm be disgraced through it; or a chancellor of the exchequer be denounced, degraded and dishonored in its discovery.

The following copy of an agreement, entered into with the Duke of Rutland, will serve to show the form of compact: "I promise to pay to the Duke of Rutland £10,000, upon his transferring to me, or my order, 1,000 capital South Sea stock, some time on or before the shutting of the company's books for the next Christmas dividend."

More than two millions were confiscated.* The following deductions are rather in proportion to the delinquency of the speculators than to the magnitude of their estates:

* For copious review of this scheme, see "MACKAY'S Memoirs of Extraordinary Delusions," London, 1852. "Encyclopedia Britannica," 1860.

PERSONS.	ESTATES.	ALLOWANCES.
Sir John Fellows, Sub. Gov.,.....	£243,096 0s. 6d.	.. £10,000
Charles Joye, Esq., Dep. Gov.,.....	40,105 2 0	.. 5,000
Mr. Astell,.....	27,750 19 8½	.. 5,000
Sir John Blunt,.....	183,349 10 8½	.. 1,000
Sir Lawrence Blackwell,.....	83,529 17 11	.. 10,000
Sir Robert Chaplin,.....	45,875 14 5	.. 10,000
Sir William Chapman,.....	39,161 6 8½	.. 10,000
Mr. Chester,.....	140,372 15 6	.. 10,000
Mr. Child,*.....	52,437 19 1	.. 10,000
Mr. Eyles,.....	34,329 16 7	.. 20,000
Mr. Gibbon,.....	106,543 5 6	.. 10,000
Mr. Hawes,.....	40,031 0 2½	.. 31
Sir Theodore Janssen,.....	243,244 3 11	.. 50,000
Sir John Lambert,.....	72,508 1 5	.. 5,000
Mr. Read,.....	117,297 16 0	.. 10,000
Mr. Surman, Dep. Cash.,.....	121,321 10 0	.. 5,000

* " Among the earliest goldsmiths whose business was subsequently merged into that of banking, as at present conducted, was Mr. FRANCIS CHILD, citizen and goldsmith, who established himself in Fleet-street, at the east corner of Temple Bar, and on the same spot where the business is still carried on. He lived to a great age, and was a person of large fortune and a most respectable character. The next in point of antiquity was the present house of STRAHAN, PAUL & Co. This bank was originally founded by Mr. JEREMIAH SNOW, who carried on business as a goldsmith, or what in modern phraseology is better known by the name of pawnbroker. His name appears among the goldsmiths or bankers who were robbed by CHARLES II. By the kindness of the gentleman at present carrying on the business of the bank, we have been favored with the privilege of inspecting the books of the bank so early as the year 1672. They show that the nobility of the land were in the habit of frequenting their shop, and borrowing money on the deposit of various gold and silver articles, such as gold and silver tankards, golden thimbles, and other valuables of a very miscellaneous and sometimes comical description.

" Not many years after the London bankers had ceased to issue notes, the inconvenience of making all payments in Bank of England notes and gold had become so great that some change was indispensably necessary; when the plan of adjusting each other's daily payments by an interchange of liabilities was adopted as the best mode of economizing the use of money.

" At first the system adopted was of the most primitive kind, and certainly not the safest. The clerks of the various banking-houses used to perform the operation of exchanges at the corners of streets and on the top of a post. They then met, by appointment, at a public-house; but, from the insecurity of these arrangements, it was at last thought best that the principal city bankers should rent a house near the old post-office, in Lombard-street. This house was called the Clearing-House.

" The bearing of devices over the doors of shops, and other places of business, was a very common practice before the introduction of the plan of numbering the houses, which did not take place till about the year 1770.

" The sign of the house in Bread-street, where MILTON's father resided, was a spread eagle, which appears to have been the arms of that family.

" Remains of this custom are still to be observed in several parts of the metropolis; and, in reference to that particular vocation which forms the subject of our pages, the reader is informed that MESSRS. HOARES, the bankers, in Fleet-street, retain to this day over the door the symbol of a leather bottle, gilt; and the same was also represented on their notes which they formerly issued.

" Messrs. GOSTLINGS also retain their sign of three squirrels, and STRAHAN, PAUL & Co., the sign of the golden anchor.—*Lawson's History of Banking.*

CHAPTER IX.

PURCHASE OF SOUTH SEA ANNUITIES—INCREASED CAPITAL—COMMENCEMENT OF THE RESERVE—CONSPIRACY AND RUN UPON THE BANK—CONFIDENCE RESTORED—ADVANCES TO GOVERNMENT—NEW BUILDING—ORIGIN OF POST BILLS—NEW CHARTER—INVASION OF 1745—RUN UPON THE BANK—EXPEDIENT TO MEET IT—ATTEMPT TO INJURE CREDIT—ASSISTANCE TO GOVERNMENT.

IN 1722, the South Sea Company were allowed to sell £200,000 government annuities, and the Bank of England took the whole at twenty years' purchase, at a price equal to par. To meet the payment, amounting to four millions, their corporate capital was increased £3,400,000, by £3,389,830 being subscribed for at 118 per cent. By this transaction the bank made a profit of £610,169, and the capital amounted to £8,959,995. This year may be regarded as somewhat memorable.* In all commercial bodies, a reserve fund, in proportion to the importance of the partnership, is desirable. Unexpected liabilities and losses must frequently take place, and periods of difficulty, demanding extensive capital, must occasionally arise. The dividends of the corporation had hitherto varied considerably, as extra losses could only be met by decreasing the interest. If such claims occurred in the earlier part of the half-year, it is probable that they were only to be met by disposing of valuable securities at a serious sacrifice. That some such cause was in operation is evident, from the bank, for the first time in its history, maintaining a reserve fund, which, under the name of RESERVE, has increased with the business of the house, and has frequently proved of invaluable service.

In the earlier history of the bank, a want of money must have been sometimes experienced, as the subscribed capital was lent to government in payment of the charter. The importance given by the latter, the growing requirements of trade, the interest allowed on deposits, together with private influence, produced clients to the young establishment. In exchange for deposits, notes were issued to the public, which readily circulated. The deposits, cash and credit, together with the notes, formed, indeed, the chief fund upon which the corporation traded; but as the profits made in the first few years were nearly, if not altogether, consumed by the expenses, the dividends continued, until 1698, at the rate paid by government, of eight per cent. The preliminary expenses in obtaining a charter, the outlay prior to the establishment, the incomes of the officers, together with the rent and bad debts, must have greatly diminished the early banking profits.

It was during this period that its notes were at a discount; that the

* Industrial associations were more productive. Thread was, in 1722, first made at Paisley. In 1723 the first agricultural society in Scotland was instituted. In Russia, patronage and bounties were extended to manufactures of woollen and linen cloths.

most strenuous efforts were made to destroy it; and that its opponents were most zealous in their attempts to crush that bank which they hated as much as they feared. When the business augmented, an increased, though certain dividend was paid, which necessarily varied with the profits, as there was no fund to meet extraordinary claims, and the goldsmiths and bankers, jealous of the importance of their competitor, were not to be relied on for assistance. It is always desirable to have a steady dividend, as many of the shareholders rely on it for their support. The variations of the interest, therefore, were probably inconveniently felt. It is, indeed, a question how much the credit of a corporation is benefited by an uncertain dividend; and an addition to an uniform rate may always be appended as a bonus. A large reserved capital prevented the interest from fluctuating; and while it added stability to the bank, was of great importance to the direction, by giving them confidence in their resources, and enabling them to triumph over those perils which must ever surround a new establishment, and which are often only dangerous in proportion to the smallness of its capital.

It is true that calls might have been made on the proprietary whenever an urgency occurred; but this would not have been in character with the great respectability already acquired by the Bank of England. For such reasons a reserve fund was desirable; and for these, with other and more powerful causes, THE REST, that great capital which has often been attacked, and more often envied, was commenced in the year 1722.

It has been already seen that conspiracies against the State have usually produced an effect upon the bank. The confidence reposed in it vanishes rapidly under the appearance of difficulty; and the more implicit the previous trust the greater the alarm when the balance of the public mind is disturbed. Men act when they should reason; and the hazard of the bank is in proportion to the mystery which confuses the people, rather than to the danger which environs the State. An obscure conspiracy which ended, as it was perhaps founded, in nothing, was communicated by the Duke of Orleans to King GEORGE I., and was stated to be formed against the person and throne of the latter. A proclamation of the exiled Pretender was gravely produced, which as gravely proposed a peaceable cession of the throne, by the English monarch, who, in return, was to be made king of his native States. Every effort, both foreign and domestic, was reported to have been made. The people were to be intrigued with; government was to be subverted; money was said to be provided; officers engaged from abroad; arms and ammunition procured; and the city of London was to be marked with bloodshed and confusion. The Royal Exchange was to witness the proclamation of the Pretender; the exchequer was to be seized, and the Bank of England to be plundered. At this period the Jacobites were a numerous, and even a powerful party; and a plot conveyed from so important a personage as the Regent of France, struck alarm throughout the nation; and once more the bank paid the penalty of its greatness by the public running to demand its cash. The stock fell in value. South Sea funds sympathized, and decreased in price. Vigorous measures were had recourse to, to meet an evil so sudden and alarming. A camp was formed in Hyde Park. Troops were ordered from Ireland. The States of Hol-

land prepared to embark their guarantee troops. The Bishop of Rochester and Bishop ATTERBURY, with some of the nobility, were seized. The proclamation of the Pretender was burned at the Royal Exchange, and the House of Commons passed a bill in support of the means adopted. These proceedings overawed the malcontents; the run upon the bank soon ceased, and the city was restored to its propriety.

In 1725, the bank consented to reduce the interest on two millions, advanced in 1716, from five to four per cent.; and in 1728,* government again resorted to the Bank of England to assist in meeting a vote of four millions, to pay the expenses of the preceding year. In times of war the ministry have always applied to this establishment to support them during those periods of danger and distrust, which must ever arise in a long contest with a powerful enemy. But that danger had ceased, and the nation had enjoyed a period of profound quiet. Notwithstanding this, the directors were again applied to for assistance in the above year; and the application was met by an advance of £1,750,000, (on the security of the coal and culm duties,) at four per cent. per annum. They were enabled to advance this large sum without a further call on their proprietary, in consequence of one million having been repaid them, in 1727,† of the previous debt. In the following year they advanced a further sum of £1,250,000, at four per cent., on security of the lottery, and were repaid £775,027 for redemption of the remainder of the capital, due to them for cancelling exchequer bills in 1709; and also £500,000 towards redeeming the capital of two millions, due for exchequer bills, delivered up in 1717.

The notes issued at this period were made out in the various names of the public; and as part only was printed, it was the duty of the clerk to enter that portion which was not engraved. No note was circulated for less than £20; and though the demand was limited, this mode must have added materially to the business of the officers. If we may judge, also, from the dividends, the directors did not shrink from their share of work, as each warrant was signed by two of their body. The number of fund-holders was considerable, and the labor, therefore, was not of a trifling character.

Prior to the year 1732, the court of directors had carried on their business within the hall of the Grocers' Company. They had commenced their career unostentatiously, and they had met with their reward. With fifty-four assistants, whose names and salaries are recorded in the appendix, they had gone on prospering, until the business demanded a building exclusively devoted to its interests. The time had now arrived when an enlarged edifice was not only advisable but necessary; and on 20th January, 1732,‡ it was unanimously resolved to erect a hall and

* Warm debate this year on the national debt. WALPOLE, Premier, represented that a reduction, to the extent of £2,698,000, had occurred since 1716.

† In this year the Royal Bank of Scotland was incorporated. The Dublin Linen Hall was opened, and the first establishment for the manufacture of Irish cambric, at Dundalk, occurred in the following year, (1728.)

‡ Commercial activity was renewed and public confidence was restored, in the years 1730—1732. In 1730, tin plate was first made in England. In 1732, a charter was granted for the colony of Georgia.

office in Threadneedle-street; and the site chosen for the new edifice was that of the house and garden of Sir JOHN HOUBLON, first governor of the bank. The structure was contracted for by DUNN & TOWNSHEND, eminent builders of the day, after designs by Mr. GEORGE SAMPSON.

On Thursday, the 3d of August, at one o'clock in the afternoon, the new building was commenced, a stone, on which the names of the directors were placed, being made the foundation for one of the pillars. Twenty guineas were presented to the workmen for distribution, and, on the 5th of June, 1734, business was commenced in that edifice, the present importance of which is unparalleled in the history of monetary establishments. Notwithstanding the sagacity of those who governed its concerns, it may reasonably be questioned whether they imagined the time would ever arrive when its buildings would occupy acres; when the movements of its governors, in the words of the historiographer of London, would influence the whole body of the public, its offices expel a church from its site, and emulate the palaces of emperors; when their determination, according to RICHARD COBDEN, would affect all the markets in the world; and the representatives of commerce in the East, and the pioneers of trade and civilization in the West, watch earnestly and anxiously the proceedings of the directors of the Bank of England.

"I happened to be travelling in Turkey and Greece, in the spring of 1837," said this gentleman, in his evidence on banks of issue, "and I saw, in the little island of Syra, the Greek merchants there, with their telescopes in their hands, looking out anxiously for the arrival of a vessel from Trieste, giving an account of the proceedings of the Bank of England, as a merchant, on the Exchange at Manchester, would watch for the arrival of the mail, to know what the next step to be taken by the bank directors would be; and we know that, in the message of the president of the United States, in 1837, and in the addresses of some of the governors of the States—New-York in particular—the Bank of England was not only mentioned by name, but a considerable space given to the discussion of its policy."

On the 1st of January, 1735,* the marble statue of the founder of the corporation, by CHEERE, which the reader has probably often seen, was placed upon its pedestal, and a volley fired by the servants of the bank, in honor of the founder. The following is a translation of the inscription:

"FOR RESTORING EFFICACY TO THE LAWS,
 AUTHORITY TO THE COURTS OF JUSTICE,
 DIGNITY TO THE PARLIAMENT,
 TO ALL HIS SUBJECTS THEIR RELIGION AND LIBERTIES,
 AND
 FOR CONFIRMING THESE TO POSTERITY
 BY THE SUCCESSION OF THE ILLUSTRIOUS HOUSE
 OF HANOVER
 TO THE BRITISH THRONE,
 TO THE BEST OF PRINCES, WILLIAM III.,
 FOUNDER OF THE BANK,
 THIS CORPORATION, FROM A SENSE OF GRATITUDE,
 HAS ERECTED THIS STATUE,
 AND DEDICATED IT TO HIS MEMORY,
 IN THE YEAR OF OUR LORD MDCCXXXIV.,
 AND THE FIRST YEAR OF THIS BUILDING."

* The counterfeiting of bank bills was this year made a felony.

This is a graceful homage to the man who was the origin of its greatness. It is a testimony of more worth than the engraven marble which records a conquest. It is a tribute of higher honor than the brass by the way-side, which tells of goodly cities sacked. The past age did not—even the present may not—fully appreciate this; but the progressive spirit of the times renders it certain, that, at some future period, the name of WILLIAM III. will be regarded with more honor as the founder of the Bank of England, than as the soldier who fought in the trenches at Namur, or the statesman who organized the grand alliance of European powers against the house of BOURBON.

The inefficiency of the police a century ago is a matter of history. It is difficult to say whether murders or robberies most abounded. The records of the period bear witness that both were committed with comparative impunity; that “highwaymen,” who were then peculiar to the time, flourished in all the gay *insouciance* which arises from a precarious mode of existence. The literature of the day is full of allusions to them; and an opera, commemorating the heroism of one of the fraternity, was performed on the stage, and applauded by lords and ladies, until it became a fashion. Amid these scenes of crime, that of robbing the mail was a favorite occupation, as it not only required, but also rewarded, boldness. These robberies grew to such a height, by 1738, that the postmaster made a representation to the bank upon the subject; and the directors, in consequence, advertised an issue of bills, payable at seven days’ sight, “that in case of the mail being robbed, the proprietor may have time to give notice.”

In 1742* the period for the reconstruction of the bank charter had arrived. The renewal of the privileges of the company created the usual consideration of what amount might be gained by the State in payment, and of how hard a bargain might be made with the corporation when compelled to sue for a favor. The latter were obliged to buy, and the government determined to sell at as high a price as practicable. The loan of one million six hundred thousand pounds, without interest, was required by the State, too frequently a hard task-master in its transactions with the corporation.

It was effected by blending this sum with the previous loan of £1,600,000, at six per cent., and the united sum of £3,200,000 bore the diminished interest of three per cent. In compensation, the exclusive banking privileges were renewed till August, 1764. By this act “persons forging, counterfeiting, or altering any bank note, bill of exchange, dividend warrant, or any bond or obligation under the bank seal, shall suffer death:” and also, “the company’s servants, breaking their trust to the company, shall suffer death.”

Another danger arose with the times. Since the run on the bankers, when the States’ admiral swept our commerce from the Thames, and menaced our strongholds, London had been free from the danger of invasion. The rebellion of 1715 had been quelled with ease; but that which followed, in the memorable year of 1745, was impressive from its

* WALPOLE resigned the seals of office February 11th, (died 18th March, 1745, *æged* 68.)

picturesque features, while it was dangerous only from the paralytic fear which seized the nation. It has ever been a feature in the history of the bank, that, although not, strictly speaking, a government establishment, it has always been a point of attack for the political rabble in times of tumult; while, during crises which should only affect the State, doubts have been thrown on its credit, and senseless clamor made for its gold. That which is now to be related was one of the most important periods of its career. The relation may be considered prolix; but a mere announcement that, in the year 1745,* a great demand for gold occurred, would be as un instructive as uninteresting. The adventurous daring which occasioned it, the panic which seized peer as well as peasant, the moral and the mental features of the period, are all necessary to explain why the directors of the Bank of England were compelled to have recourse to stratagem to meet the demands made upon their specie.

The expedition of CHARLES EDWARD was as romantic as it was remarkable. Landing in the wilds of Moidart, attended by only seven devoted gentlemen, he succeeded in striking a terror throughout England. The prize for which he struck was a kingdom. The spirit with which he contended was worthy the prize. His march was one scene of triumph. From highland to lowland, from barren height and fertile vale, he gathered strength, until, with a solitary guinea in his pocket, the gallant adventurer entered the fair city of Perth. From Perth he passed on to the capital of Scotland; and the old walls of Holyrood, the antique palace of the Scottish monarchs, resounded once more with the sounds of joy. The lofty loyalty of the people of Scotland responded to the claims of the unfortunate house, and the tartan of the clan STUART waved a joyous welcome from street and square of the city of palaces. The person of the Pretender, his chivalrous adventure, his princely bearing, won him "golden opinions." Men fought for him. Women embraced him. At Doune some Scottish lasses kissed his hand; and one, with the romantic enthusiasm of girlhood, begged permission to kiss the royal lips. The favor was graciously granted by the young chevalier, who, taking the loyal lady in his arms, "kissed her blushing face from ear to ear," to the great vexation, adds CHAMBERS, of the other ladies who had been contented with a less liberal allowance of his princely grace. These things are related because they prove the great devotion evinced throughout Scotland, and explain why, with a mere handful of men, CHARLES EDWARD had, even then, struck a panic into the commercial heart of England. When, therefore, Carlisle had capitulated, when Penrith was invested, and Manchester, with its thirty thousand inhabitants, "was taken by a sergeant, a drummer, and a girl," the English were seized with dismay.

London expected, in two or three days, to witness the triumphant entry of the rebel army, the seizure of her treasure, and the plunder of her citizens. The adherents of the young adventurer had printed his declaration to the people of Great Britain, and throughout the capital, in the highways and byways, in the streets of the town, in the dwellings of its inhabitants, were these declarations mysteriously spread. Men found

* Bank of England post-bills were this year in part paid in gold.

them in their houses; they were placed under their doorways; they penetrated the sanctuary of their homes. It was a time of great rejoicing for the stanch Jacobite. It was a period of dread for the loyal and peaceable citizen. Consternation obtained throughout the capital. The Duke of Newcastle, Secretary of State for the War Department, whose name was said, by Sir ROBERT WALPOLE, to be perfidy, shut himself in his closet for three days to decide on his conduct, uncertain whether he should support his monarch or declare for the prince. The first Catholic peer of the realm was ready to join the invader. The inhabitants fled to the country with their most precious effects. The king caused his valuables to be removed to a yacht by the Tower, and was prepared to effect an escape. A proclamation was issued for a general fast. A run commenced upon the bank, for which the directors were not prepared; and there appeared every prospect of its destruction. The funds fell; the quotations of the day do not show so great a decline as might have been expected; but the probability is that they were but nominal.

The second article of the manifesto issued by the Pretender stated, that though the national debt "was contracted under an unlawful government, and was a most heavy load unto the nation, yet his father would take the advice of his Parliament." This was deemed small comfort for the fundholders, who placed no faith in the honesty of a Senate, called upon to act in a period of convulsion, under an arbitrary STUART. The sins of the sire were visited upon the children. The seizure of the money in the mint by the first CHARLES, and the shutting up the exchequer by his dissolute son, were remembered to the injury of their descendant.

But more alarming news was in store for the citizens. The town of Derby, only one hundred and twenty miles from the capital, was occupied by the rebels. The magistrates had fled in terror. London, with all her treasure, was temptingly exposed. The alarm of the citizens magnified the reports, and the reports increased in proportion to the alarm. During the whole of one day passed in Derby, the Highlanders fought for precedence in getting their claymores sharpened at the shops of the cutlers. The habitants of London looked on the rebels as wild men, coming from the depths of interminable forests, where they dwelt in caverns, and lived on human flesh. Mothers wept over their children; and substantial traders exaggerated the alarm that spread throughout the shops and the counting-houses of the great city. With these prospects the merchants outvied each other in liberal subscriptions, which, while they were recorded as the fruits of loyalty, were really the offspring of fear.

The day on which the news arrived that the rebels were at Derby, was known in London as black Friday. The gates of the city were shut. The train-bands were placed on duty night and day. The guards were ordered out. The Tower was closed before its time. The shops were unopened; and no business was done excepting at the bank. Many of the inhabitants collected their valuables, and fled from the country. The STUARTS had always been partial to obtaining money by the strong hand, and CHARLES EDWARD had imitated the profitable example. The Londoners had heard of £5,000 raised in Glasgow; of heavy contributions

levied in Manchester; of £2,500 procured in Derby, with minor sums in other places; and they watched, with almost breathless interest, the advance of the Pretender, in full expectation of similar results.

The effect upon the national bank was as usual. Its interests were involved in those of the State; and the creditors flocked in crowds to obtain payment for their notes. The directors, unprepared for such a casualty, (who could have foreseen that a few thousand men would overrun half England?) had recourse to a justifiable artifice. The Chevalier JOHNSTON, whose evidence was collected immediately after the battle of Culloden, says, that the bank only escaped bankruptcy by a stratagem. Payment was not refused; but the corporation retained its specie, by employing agents to enter with notes, who, to gain time, were paid in sixpences; and as those who came first were entitled to priority of payment, the agents went out at one door with the specie they had received, and brought it back by another, so that the *bona fide* holders of notes could never get near enough to present them. "By this artifice," says the Chevalier, somewhat quaintly, "the bank preserved its credit, and literally faced its creditors." The wisdom of the artifice was witnessed in its effect. The London merchants, with honorable promptitude, called a meeting of their body at GARRAWAY'S coffee-house. They expressed their confidence in the bank corporation, and agreed to receive its notes in payment. The following was their resolution, and deserves to be recorded:

"We, the undersigned, merchants and others, being sensible how necessary the preservation of public credit is at this time, do hereby declare that we will not refuse to receive bank notes in payment of any sum of money to be paid to us; and we will use our utmost endeavors to make our payments in the same manner.

"26th Sept., 1745."

The feeling which dictated this resolution was very general, as, by four o'clock in the afternoon, it was signed by one thousand one hundred and forty merchants, large traders and proprietors of the public funds. History records the retreat of the young Pretender from Derby, the news of which stopped the run, and brought confidence to the homes of the citizens. The policy of CHARLES EDWARD has been questioned. Doubtless a march upon the capital would have been worthy the noble prize for which he contended; and it is the opinion of many that he must have been successful. This might have been the case; but it is scarcely probable that the religion which gave WILLIAM the English crown would have submitted once more to the despotic sway of a STUART; and still less is it to be imagined that the STUART would have forgotten those dreams of absolute power which had driven him from the throne, and still lingered with him in the mock monarchy of St. Germain's. It must have been another period of fear and dread to the supporters of the bank. Had CHARLES EDWARD reached the capital, a levy on it would have been his first act; and that levy would have been in proportion to his own power, the hatred which he bore it for supporting the revolution, and the rapacity of the exiled house. The danger passed away with the crisis. The adventurer lost his only chance of a crown, and commenced a dis-

astrous retreat, which was closed by his escape from Scotland. Confidence was once more restored. The shops were re-opened. The citizens grew suddenly brave. The courtiers grew doubly loyal. The vigor of the people returned, and London was a scene of rejoicing. Commerce resumed its pristine strength; and the only memorials which remained of the past panic were to be found in the punishment of those misguided men who, under a sense of duty, had supported the scion of their ancient monarchical race.

The particulars which led to this panic have been fully recounted; for it is the last instance of a run occasioned solely by the fear of invasion; and the last time that Englishmen lost faith in their political institutions, or sought to empty their bankers' coffers from fear of foreign or domestic warfare.

The following anecdote, given by Mr. IRELAND, who says he received it from an authority not to be doubted, is, if true, curiously illustrative of the evil spirit which, only a century ago, influenced public bodies. It is probably a partial statement.

"It is well known that, in the year 1745, on account of the domestic confusion which prevailed in the northern part of this island, bank notes were at a considerable discount. The notes, however, which were issued by CHILD's house, as well as those of HOARE & Co., still maintained their credit, and were circulated at par. The bank directors, alarmed at the depreciation of their paper, and attributing it to the high estimation in which the house of Messrs. CHILD still remained, attempted, by very unfair artifices, to ruin their reputation. This plan they endeavored to accomplish by collecting a very large quantity of their notes, and pouring them in all together for payment on the same day. Before the project was executed, the Duchess of Marlborough, who had received some intimation of it, imparted the information to Mr. CHILD, and supplied him with a sum of money more than sufficient to answer the amplest demand that could be made upon them. In consequence of this scheme, the notes were sent by the bank, and were paid in their own paper; a circumstance which occasioned considerable loss to that corporation, their paper being circulated considerably below par. Perhaps this anecdote will be confirmed by the well-known circumstance of the hostility of her Grace to the administrators of that trust." The precision with which this account is given, must be accepted as a reason for its insertion. It is, however, most difficult of belief, that any body of honorable men would act so disgraceful a part. The story has, in all probability, arisen out of some financial operation, the object of which was perverted by the opponents of the bank, because it was beyond their comprehension.

The rebellion was scarcely over when the government were compelled to apply once more for assistance. The cost of the war, which had been fiercely contested with France, in order to preserve the integrity of the Hanoverian Electorate, together with the expenses attending the invasion, had pressed heavily on the resources of the State.

The ministers endeavored to meet their difficulties by opening a public subscription, in 1746; but the moneyed interest did not respond. The great support given to the credit of the bank by the mercantile community had been thoroughly successful, and the company were enabled to

offer that assistance, which the State found it difficult otherwise to procure. One million was advanced to government at four per cent. interest; and the court of proprietors authorized the directors to draw up proposals for converting £986,000, held by them in exchequer bills, into an annuity, at four cent.; and for creating new stock to the same amount. The proposal was accepted, and an act passed to authorize it. A call of ten per cent. was made upon the proprietary, and the bank capital increased to £10,780,000. Even at this late period, some of the proprietors neglected to answer the call, and the directors sold a sufficient amount of their stock (about £12,000) to produce the required sum.

In 1746, the capital, on which the bank stock proprietors divided, amounted to £10,780,000. In a little more than half a century it had been more than octupled, so great had been the prosperity of the corporation. The dividends had varied with the success; and though at one period ten and a half per cent. for the half-year was paid, the average amount was greatly below this; and, in 1746, the half-yearly dividend had fallen to two and three-quarters. The value of money, also, which had been so enormous previous to the new establishment, had been reduced considerably. At first, the rate of discount was from four and a half to six per cent., and a less amount was charged to those who kept accounts with the bank; inland bills being discounted for them at four and a half, and foreign bills at three per cent.; while six per cent. was charged for bills of all kinds to other persons. The rates of discount were afterwards equalized, and varied from four to five per cent. till 1775, when the latter sum was fixed upon, at which it remained till 1822. This reduced value of money was advantageously experienced by government receiving the same benefit in 1745 for three per cent., for which, before 1690, they had paid twenty-five to thirty per cent. It has not been considered necessary to detail on each occasion the rise or fall of the dividends, given to the proprietary, as a clearer and more comprehensive view may be obtained in the appendix.

Another reduction of the interest on the national debt was effected in 1750;* a meeting of the corporation was called at Merchant Tailors' Hall, at which the proposals of the ministry were acceded to, and three instead of four per cent. agreed to be received on £8,486,800 of the government debt. In addition, the company consented to advance a sufficient amount to pay off the dissentients; and to raise this they established a "bank circulation." As the amount to be required was uncertain, books were opened to the public, and any individual was allowed to enter the sum he proposed to lend, in case it should be called for. When the books were closed, the bank had the power of calling for all or any part of the sum so subscribed. Two shillings per cent. was to be paid on the amount proposed, and four pounds per cent. on the sum advanced. The payment required by government for those who did not consent to the reduction, amounted to £1,190,041. For this sum, exchequer bills, bearing interest at £3 per cent., were received in exchange.

* The failure of the Bank of Genoa was announced this year. The manufacture of carpets in England was commenced by some French artisans. The semi-annual dividends of the bank this year were $2\frac{1}{2}$ per cent. each, the stock selling at 131 to 136.

The course of this history will not record the many transactions in which the bank have been concerned for government in the creation of stock. The year 1752, in which the foundation of the present "three per cent. consols" was laid, is, however, sufficiently interesting to attract attention. This stock was thus termed from the balance of some annuities, granted by GEORGE I., being consolidated into one fund with a three per cent. stock, formed in 1731. The amount of this security at the present time is upwards of 360 millions, to so large a superstructure has it grown from a small foundation. The same observation will also apply to the year 1757, when the stock, which had borne four per cent. interest till 1750, and from that period paid three and a half, was reduced to three per cent.; from this operation the name of the "three per cents reduced" is derived. This stock is much smaller than the former, as it amounts to little more than £123,500,000.

A correspondent of the "*Gentleman's Magazine*" gives the following particulars of the external appearance of the bank in 1757. "When I came to London, and lived near it, it was comparatively a small structure, almost invisible to passers by, being surrounded by many others, viz., a church called St. Christopher le Stocks, since pulled down; three taverns, two on the south side, one (the Fountain) in Bartholomew Lane, facing the church there, just where the great door of entrance is now placed, and about fifteen or twenty private dwelling-houses. Visitors are sometimes shown in the bullion office the identical old chest, somewhat larger than a common seaman's, also the original shelves or cases, where the cash, notes, papers and books of business* were kept; and well are they preserved, as pregnant vouchers no less of the bank's pristine simplicity and confined exertions, than of the amazing rapidity of its modern extension, and almost boundless accommodation of the moneyed interest and commercial world."

* Our draper now became famous for his extraordinary command of money, and his correspondence extended as far as Preston, in Lancashire. The profits thus arising seemed boundless, and the next step was taken by our adventurous shopkeeper: he allowed a small interest to his friends, the depositors. The new business flourished to such an extent that it swallowed up the old one, and our draper at length became a *banker proper*, and no more a shopkeeper.

Such was the origin of the SMITHS. First confined to the town of Nottingham, afterwards extended to Hull and Lincoln, the business of the firm required a London correspondent entirely in their interest, and such they found in the late Mr. PAYNE. And thus was founded the well-known firm of SMITH, PAYNE & SMITH, whose prosperous career it is not our business to follow.

The increase of banks throughout the country was actively encouraged by the private bankers of London, and indeed the existence of a great national bank like that of the Bank of England naturally assisted the creation of smaller establishments.

In all those places, the trade of which has been sufficient to encourage a plurality of banks, it has been found that the competition has contributed to the public accommodation, there being in all large manufacturing and commercial towns rival firms, whose financial operations could not, with propriety, be intrusted to the same house.

"It is not by augmenting the capital of the country, but by rendering a great part of that capital more active and productive than it would otherwise be, that the most judicious operations of banking can increase the industry of the country. That part of his capital, which a dealer is obliged to keep by him unemployed and in ready money, for answering occasional demands, is so much dead stock, and so long as it remains in this situation, produces nothing either to him or to the country."—*Lawson's History of Banking.*

CHAPTER X.

THE FIRST FORGED NOTE—LEGAL DECISION—ISSUE OF NOTES—NEW CHARTER—GREAT PANIC AND FAILURE OF BANKERS IN 1772—THE GORDON RIOTS—CONFUSION OF THE PEOPLE—SUSPENSION OF TRADE IN THE CITY—ATTACK ON THE BANK—ITS REPULSE—BEHAVIOR OF WILKES—EXTRAORDINARY SERIES OF FORGERIES—DETECTION OF THE FORGER—HIS FATE—MORLAND THE PAINTER—LIBERALITY OF THE DIRECTORS.

THE day on which a forged note was first presented at the Bank of England forms a memorable era in its history. For sixty-four years the establishment had circulated its paper with freedom; and during this period no attempt had been made to imitate it. He who takes the initiative in a new line of wrong-doing, has more than the simple act to answer for; and to RICHARD WILLIAM VAUGHAN, a Stafford linen-draper, belongs the melancholy celebrity of having led the van in this new phase of crime, in the year 1758.* The records of his life do not show want, beggary, or starvation urging him, but a simple desire to seem greater than he was. By one of the artists employed, and there were several engaged on different parts of the notes, the discovery was made. The criminal had filled up to the number of twenty; and deposited them in the hands of a young lady to whom he was attached, as a proof of his wealth. There is no calculating how much longer bank notes might have been free from imitation, had this man not shown with what ease they might be counterfeited. From this period forged notes became common. The faculty of imitation is so great, that when the expectation of profit is added, there is little hope of restraining the destitute or the bad man from a career which adds the charm of novelty to the chance of gain. The publicity given to the fraud, the notoriety of the proceedings, and the execution of the forger, tended to excite that morbid sympathy which, up to the present day, is evinced for any extraordinary criminal. It is, therefore, possible, that if VAUGHAN had not been induced by circumstances to startle London with his novel crime, the idea of forging bank notes might have been long delayed, and that some of the strange facts to be related would never have occurred.

The same year was also memorable for a judgment passed by the Lord Chief-Justice, in connection with some notes which were stolen from one of the mails. The robber, after stopping the coach and taking out all the money contained in the letters, went boldly to a Mr. MILLER, at the Hatfield post-office, who unhesitatingly exchanged one of them. Here he ordered a post-chaise with four horses, and at several stages passed off the remainder. They were, however, stopped at the bank, and an action was brought by the possessor to recover the money. The question was an important one; and it was decided by the law authorities, "That any person paying a valuable consideration for a bank note, payable to bearer,

* VAUGHAN was executed for this crime.

in a fair course of business, has an undoubted right to recover the money of the bank." The action was maintained upon the plea that the figure 11, denoting the date, had been converted by the robber to a 4.

In 1759,* bank notes, to a smaller amount than £20, were first circulated; and the directors commenced issues of £15 and £10, to meet the necessity experienced by the community.

In January, 1764,† the charter, granted to the bank in 1745, had nearly expired, and the question of its renewal was again agitated. The customary process of extension, that process which has procured a good price from the corporation for all the favors granted, was once more under consideration. The terms on which government consented to place the exclusive power of the bank again in its possession, were sufficiently onerous. By this agreement the directors were to advance cash for exchequer bills to the amount of one million, at three per cent. interest, till the year 1766, when the bills were to be discharged. They were also to pay £110,000, and for this they were to receive neither interest nor repayment. In consideration of these sums they were to continue a body corporate, with all their advantages, till the redemption of the debt, due to them by government, and one year's notice, from the first of August, 1786. By the same act it was made felony, without benefit of clergy, to forge powers of attorney or other authorities, for receiving dividends, transferring or selling stock, or for personating the proprietors of any stock, for such purpose.

The falling in of the bank charter at this period was a piece of great good fortune to the government. A successful but costly war had pressed upon the nation. During this contest important islands had been conquered; great battles gained; forts, castles and fortified cities had yielded to our prowess. Twelve millions had been acquired in plunder, and captured standards were borne in triumph to St. Paul's, amid the shouts of assembled multitudes. The navy of France was annihilated. Spain loathed a contest which produced only reverses. Portugal was anxious for peace. The fall of the French colonies was consummated at Martinique. The empire of the East had been wrested from French sway, and conquests, rivalling those of the "great captain," accomplished by a youth bred to a writing-desk. France was exhausted. The treasury of the "great nation" was empty. The plate of "the most Christian king" was converted into money; and England triumphed in a treaty which consolidated her strength; which gave her a great pre-eminence among the nations; which added to her name a splendor she has since retained, and which the confidence of her ministry in the resources of the country, and the assistance of the Bank of England, greatly tended to produce. The expenses pressed heavily upon the people. A loan, therefore, of £3,000,000, with an absolute gift of £110,000, were no unimportant ad-

* Further indications of prosperity existed this year in the establishment of thread and gauze manufactures at Paisley. ARKWRIGHT'S first patented spinning-frame was made known. Improvements were also made in the stocking-loom. The national debt at this time was £78,000,000.

† The first stamp act for America was this year introduced by GRENVILLE, and passed March 22, 1765.

dition to those sources, which had been drained by the glorious and successful seven years' war.

A new crime was discovered in 1767. The notice of the clerks at the bank had been attracted by the habit of WILLIAM GUEST, a teller, picking new from old guineas, without assigning any reason. An indefinite suspicion, increased by the knowledge that an ingot of gold had been seen in GUEST's possession, was attracted; and although he asserted that it came from Holland, it was remarked to be very unlike the regular bars of gold, and that it had a considerable quantity of copper on the back. Attention being thus drawn to the behavior of GUEST, he was observed to hand one RICHARD STILL some guineas, which he took from a private drawer, and placed with the others on the table. STILL was instantly followed, and on the examination of his money, three of the guineas in his possession were deficient in weight. An inquiry was immediately instituted, and forty of the guineas in the charge of GUEST looked fresher than the others upon the edges, and weighed much less than the legitimate amount. On searching his home, four pounds eleven ounces of gold filings were found, with some instruments, calculated to produce artificial edges. Proofs soon multiplied, and the prisoner was found guilty. The instrument with which he had effected his fraud, of which one of the witnesses asserted it was the greatest improvement he had ever seen, is said to be yet in the mint, a memento of the prisoner's capacity and crime.

In June, 1772, one of those panics occurred with which London is unhappily so familiar. On the 10th of the month, NEALE and Co., bankers in Threadneedle-street, stopped payment. Other failures resulted in consequence; and throughout the city there was a general consternation. The timely interposition of the bank, and the generous assistance of the merchants, prevented many of the expected stoppages, and trade appeared restored to its former security. It was, however, only an appearance; for, on Monday, the 22d of the same month, may be read, in a contemporary authority, a description of the prevailing agitation, which forcibly reminds us of a few years ago. "It is beyond the power of words to describe the general consternation of the metropolis at this instant. No event for fifty years has been remembered to give so fatal a blow to trade and public credit. An universal bankruptcy was expected. The stoppage of almost every banker's house in London was looked for. The whole city was in an uproar. Many of the first families were in tears. This melancholy scene began with a rumor that one of the greatest bankers in London had stopped; which afterwards proved true. A report at the same time was propagated that an immediate stop of the greatest must take place. Happily this proved groundless; the principal merchants assembled, and means were concerted to revive trade and preserve the national credit."

The resumption of payment by many houses, at first compelled to bend before the storm, is in singular contrast with the following event, which took place in France three years previously. The extract is from the "Gentleman's Magazine." "A considerable banker at Paris, having a draft brought to him from a public office in that city for a large sum, which he could not answer, after cramming down the draft into a loaded pistol, called to the gentleman who brought it, and telling him, 'This,

Sir, is the way that persons who have no money pay bills that are due,' instantly clapped the pistol to his ear, and shot himself dead."

Although the crisis had passed in England, the spirit of "launching into rash and boundless projects in commerce," says MACPHERSON, "which were to be supplied by artificial credit, and the madness of towering speculation in the public funds, spread all over Europe. The evil, which had reached its height in England in 1772,* burst out on the Continent in the end of that, and the beginning of the following year, with such an extensive crash, that there seemed to be an universal wreck of credit throughout Europe, to the amount of ten millions sterling. In this time of general distress, a happy mixture of generosity and prudence in most leading nations, though without any previous concert, averted many of the fatal consequences, and prevented the mischief from spreading. The Dutch merchants, where the evil was greatest, acted with their usual commercial wisdom. The bank of Stockholm gave support to every house of real responsibility; and the Empress of Russia gave credit to the British merchants at Petersburgh, by giving them a credit on her own banker, for such sums as they needed." The cloud soon passed away for the sunshine, and commercial faith took the place of commercial distrust.

It is worthy of notice that the circumstances to which allusion has been made, were the first instances of the failures of bankers in London; and this may excite wonder when it is seen, by the following extract from "ANDERSON'S History of Commerce," that firms often traded upon capital somewhat incommensurate with the importance of their transactions. "At the breaking up and dividing the profits of an eminent partnership, many years ago, of a private city banking-house, which for many years had divided a profit of several thousands, on valuing all the real stock of the partnership, the whole did not amount to above three or four hundred pounds, consisting entirely of shop instruments and furniture."

In this year, an action, interesting to the public, was brought against the bank. It appeared on the evidence that some stock stood in the joint names of a man and his wife; and, by the rules of the corporation, the signatures of both were required before it could be transferred. To this the husband objected; and claimed the right of selling without his wife's signature or consent in any form. The Court of King's Bench decided in favor of the plaintiff, with full costs of suit; Lord MANSFIELD declaring that "it was highly *cruel and oppressive* to withhold from the husband his right of transferring." The words italicized were unnecessary. One object of the bank is the attainment of the public good. It is, however, a prejudice which attaches itself to juries—and sometimes even to judges—to view with jaundiced eyes the proceedings of large corporations; and for this reason the verdicts occasionally given are only compatible with a very small reasoning power, or a very extensive vindictive feeling.

In 1773,† an act was passed making it death to copy the water-mark

* Among the events of the year were, the first manufacture of calico, in Lancashire; the use of passage boats on the Bridgewater Canal, and the establishment of LLOYD'S Coffee House, London.

† The exportation of cotton machinery was this year prohibited. The Company of British Plate Glass Manufacturers was established at Ravenhead, Lancashire.

of the bank note paper; and, in order to prevent imitation, it was enacted that no person should prepare any engraved bill or promissory note containing the words "Bank of England," or "Bank post-bill," or expressing any sum in white letters on black ground in resemblance of "bank paper," under the penalty of imprisonment for six months. By an act, passed in 1775, notes of a less amount than twenty shillings were prohibited; and two years afterwards, by the 17th GEORGE III., the amount was limited to £5.*

On Friday, the 2d of June, 1780, commenced those riots which form so disgraceful a portion of the English history, and which, had it not been for the resolute daring of the London citizens, might have been fatal to the bank. On that day, a large body of men, calling themselves the "Protestant Association," headed by Lord GEORGE GORDON, a nobleman whom some termed a fanatic, and others a fool, but who was, in truth, a mixture of both, with the great merit of being in earnest, assembled, about half-past two, before the Houses of Parliament, to make a demonstration against a bill in favor of Catholicism, then in progress, and to present a petition against it. After uttering a loud shout, more expressive of animal strength than moral power, the arbitrary authority of an excited populace was exercised. They obliged the members of both Houses to put blue cockades in their hats, and to call out "No Popery." Some were compelled to take whatever oaths they chose to administer, and some were personally abused in the full insolence of unchecked power. Twice they attempted to force an entrance into the Senate House. The Archbishop of YORK was saluted with hisses, groans and hootings. Lord BATHURST was kicked and Lord MANSFIELD buffeted. The watch of the Duke of NORTHUMBERLAND was stolen by this "No Popery" immaculate mob. The gown of the Bishop of LICHFIELD was torn off, and the Bishop of LINCOLN was compelled to escape in disguise. Lords TOWNSEND and HILLSBOROUGH were sent into Parliament without those important appendages of gentlemen, their bags, while their hair, hanging loosely in unpicturesque disorder on their shoulders, conveyed a vivid picture to the assembled Senate of the "majesty of the people." The coach of Lord STORMONT was destroyed, and his lordship only saved from personal damage by the appeal of a gentleman, who harangued the mob into temporary good humor. Lord BOSTON was so long in the power of the populace, that the peers, with some remnant of that chivalric feeling which bade one knight couch his lance against a multitude, proposed to sally forth to the rescue, and were only prevented by his lordship's timely escape from the rudeness of the rioters. The mob, after finding their favorite petition rejected by the large majority of 192 to 6, dispersed to various quarters of the town, where they effected all the mischief compatible with an absence of danger.

The following day, Saturday, was comparatively quiet; but on Sunday, acting upon the proverb, "the better the day the better the deed," the crowd gave vent to an ignorant fanaticism, by destroying the chap-

* The two brothers PERREAU were executed for forgery in 1776. Dr. DODD was executed June 27, 1777, for the same offence. In 1777 the *Mont de Piété*, at Paris, was established.

els and homes of the Catholics. The insignia of the worshippers of the ancient faith was insulted, the pulpits destroyed, the missals burned, and the altars desecrated. Nor did they, in the purity of their Protestantism, forget to seize the images of silver and vessels of gold, which lay temptingly exposed to view. The military were inactive, and the magistracy ceased to be a terror to evil-doers.

Scenes such as these; the reports which, from time to time, greatly alarmed the directors of the bank; the information that large masses of men, uncontrolled save by their own passions, were destroying all that they approached, must have greatly affected the friends of the corporation. The knowledge that the military were useless; that there was no efficient power to protect their building; that an application for a regiment would be futile; and that, therefore, their defence must rest on their resources, greatly added to their responsibility.

Monday saw tallow-chandlers' shops and Catholic chapels alike attacked. The organs of destruction were in active play, and their owners would not be disappointed. Tuesday witnessed the military out to protect the senators; but it also witnessed a peer of the realm wounded, his carriage demolished, and his life with difficulty saved. The cry soon arose, "to Newgate;" and at six o'clock, street, square and lane saw serried masses of fierce and desperate men rushing to the work of destruction. It was a popular cry. Who, among that wild and violent crowd, did not hate and dread the very name? The furniture of the governor was piled in a heap and burned. The building was fired, and the criminals, made worse by their residence, were released to join their brethren in crime. From Tyburn to Whitehall the shops were shut; business was suspended at all places, save the bank; and the courts of law were abandoned. The houses of Sir JOHN FIELDING and Justice Cox were destroyed. The children of the prime minister were taken from their beds and placed on the table of the horse-guards. Fragments of the Catholic chapels were borne in triumphal procession, and the *detenus* of the new prison were liberated. The elegant mansion of Lord MANSFIELD was consumed, and, with a barbaric contempt of literature, his library, the labor of a life, was thrown into the flames, while three hundred soldiers stood calmly by and witnessed its destruction. As the day closed, a spectacle almost grand, save from its cause, was witnessed. From prison and from private building—from Catholic chapel and Catholic dwelling-house—in every quarter of the great metropolis—rolled clouds of smoke, from which pillars of fire arose with a sad and almost solemn sublimity. In one night the flames of six-and-thirty fires created a wild and fearful illumination.

With such desolation and fury reigning unchecked, the Bank of England was sure to feel and pay for its importance. It is only to be attributed to the thoughtlessness of the mob, that this establishment was not attacked when the defence was insufficient for its protection. When the news came that the rioters, headed by a man on horseback, caparisoned with the trophies of Newgate, were on their way, the governor was absent; he soon reached his post, however, and preparations were made for their reception.

The old inkstands were cast into bullets; a strong force was placed

within, while the military awaited their arrival without the walls. The officers of the establishment were called upon to assist, and another force was placed on the roof, to fire upon the assailants if they entered. Every possible arrangement was made for the defence of a building, far more important to the credit of the country than any in the capital. If the mob could have penetrated through all this force, the loss would have been immense. But the citizens of London had formed a volunteer corps; and with the military, who had shaken off their lethargy, distinguished themselves in defending the bank. When the rioters, fierce in the exercise of their mad passions, and fierce in the possession of uncontrolled power, saw the display made by the directors, their attacks were feebly conducted. It was one thing to destroy an unresisting Catholic gentleman's property; it was another to attack a body of resolute men. It was one thing to fire a prison, and another to receive the fire of disciplined soldiers. WILKES is said, on this occasion, to have rushed out during the pauses which occurred in the attack, and dragged some of the ringleaders from their fellow-rabble. A witness of the scene says, "When the ministers trembled and remained inactive; when the magistrates durst not venture out of their houses, he was seen presenting himself before that unprincipled rabble, and braving death in order to preserve the bank, which they were about to pillage. Prayers, representations and threats he successfully made use of, and even carried his intrepidity so far as to seize some of the ringleaders. This bold and patriotic action, in such circumstances, restored to him the favor of his sovereign, who had borne him for twenty years a mortal hatred." It is added, that WILKES received the thanks of the council for his conduct during the riots. The first fire of the military repulsed the mob; their second attempt was unsuccessful; nor did they hazard a third. Several were killed and many wounded in the skirmish.

"Had the bank," says the *Annual Register*, "been the first object of their fury, there can be little doubt but that they would have succeeded; and what the consequence would have been, let any rational mind figure to itself."

It seems, indeed, little short of a miracle, that a place like the bank should have been so long relieved from attack. It was probably owing to a want of organization among the rioters; for a leader, who failed to obtain possession of the sinews of war, must have been very unworthy the name. At any rate, it was a remarkable salvation of private property and public credit. But the most vivid representation of the danger which the Bank of England had happily escaped, is to be found in the following particulars of the appearance of the city after the riots. "The metropolis presented in many places the image of a city recently stormed and sacked; all business at an end; houses and shops shut up; the Royal Exchange, public buildings and streets possessed and occupied by the troops; smoking and burning ruins, with a dreadful void and silence, in scenes of the greatest hurry, noise and business." The cause of all this riot, the scion of the ducal house of GORDON, proved the durability of his love for Protestantism, by professing the Hebrew faith; his last hours embittered by the dread of his remains being interred in any other than the sepulchres of the ancient people of ISRAEL.

“Since the danger which the bank so happily escaped, a military force has been placed nightly in the interior of the establishment. A dinner is provided for the officer on guard and two friends. A snug, plain, excellent dinner it is,” says Mr. WERN, in “*Knight’s Pictorial London*,” “brought daily from one of the best taverns in the neighborhood. The store which the guards set by this dinner, excellent though it be, speaks volumes for the ennui which broods over the period during which they are stationed at the Tower. Some time ago, a regiment of the line was marched into the Tower, and the battalion of guards withdrawn. All the other duties of the place were gladly and unreluctantly given up to the new comers, with the solitary exception of the inlying piquet at the bank. The duty might have been given up, but to relinquish the dinner was impossible. And, on this account, so long as the Tower remained denuded of the presence of the guards, the bank piquet regularly detailed from the far west end, duly and daily threaded the crowded Strand, passed under Temple Bar, jostled over Fleet-street, scrambled up Ludgate Hill, rounded St. Paul’s, and over Cheapside, erst the scene of tournaments, charged home to the Bank of England. The cynosure of attraction to the weary sub on duty—the magnet which drew him to encounter this long and toilsome march, and worse, the incarceration of four-and-twenty mortal hours within the walls of the bank, was not the ingots piled within these walls—his high spirit disclaimed them; not the bright eye of city maid or dame, these must now be sought in the suburbs; it was the substantial savory fare of the city—the genuine roast beef of Old England, and the city’s ancient port, far surpassing the French cookery and French wine of St. James’.”

The proclamation of peace in 1783 was indirectly an expense to the bank, although hailed with enthusiasm by the populace. The war with America had assumed an aspect which, with all thinking men, crushed every hope of conquest. It was, therefore, amid a general shout of joy, that on Monday, 1st October, 1783, the ceremonial took place. A vast multitude attended, and the people were delighted with the suspension of war. The concourse was so great that Temple Bar was opened with difficulty, and the Lord Mayor’s coachman was kept one hour before he was able to turn his vehicle. The bank only had reason to regret, or at least not to sympathize so freely, with the public joy. During the hurry attendant on the proclamation of the Royal Exchange, when it may be supposed the sound of the music and the noise of the trumpet occupied the attention of the clerk more than was beneficial for the interest of his employers, fourteen notes, of £50 each, were presented at the office, and cash paid for them. The next day they were found to be forged, and there was no mode of discovering the person who had defrauded the establishment.

The losses occurring to the bank from forged notes and other fraudulent documents were commensurate with the greatness of its transactions. Many of these were mixed up with much of the romance of life; the attempts of some were successful through great good fortune; others were detected at once; while many, by their dexterity, either defied discovery or baffled the bank for years. It is one of the latter which will now be related. Constant references are made in the journals of the

time to some unknown power which defrauded the Bank of England; of some mysterious agent who laughed at precautions and escaped exposure; of new modes of robbery which, from time to time, startled alike both clerks and directors. Such is the story now to be related; too dramatic for the stage, and too startling for an appearance of probability.

CHARLES PRICE was one of those men whose whole abilities are employed in defrauding. At the age of seventeen he left his home to seek a fortune, and threw himself on the world with the determination to live by it. He soon learned to play many parts; now a comedian; and now a gentleman's servant. At one time a rogue, and the companion of rogues; and then a fraudulent brewer or a fraudulent bankrupt. Great talent was employed in enormous crimes; and great evil was the result. After trying his hand as lottery-office keeper, stock broker and gambler, he attained sufficient importance to grace a work entitled, "The Swindlers' Chronicle." From this the step was easy to the "Newgate Calendar," and he embarked in a bold, skilful and resolute career of fraud on the bank. His only confidant was his mistress. He practised engraving till he became proficient. He made his own ink. He manufactured his own paper. With a private press he worked his own notes, and he counterfeited the signatures of the cashiers, until the resemblance was complete. Master of all that could successfully deceive, he defied alike fortune and the bank directors; and even these operations in his own house were transacted in a disguise sufficient to baffle the most penetrating.

About the year 1780,* a note was brought to the bank for payment. So complete were all its parts, so masterly the engraving, so correct the signatures, so skilful the water-mark, that it was promptly paid; and only discovered to be a forgery when it reached a particular department. From that period forged paper continued to be presented, especially at the time of lottery drawing. Consultations were held with the police. Plans were laid to insure detection. Every effort was made to trace the forger. CLARKE, the FORRESTER of his day, went, like a sluth-hound, on the track; for in those days the expressive word "blood-money" was known. Up to a certain point there was little difficulty; but beyond this the most consummate art defied the ingenuity of the officer. In whatever way the notes came, the train of discovery always paused at the lottery-offices. Advertisements offering large rewards were circulated; but the unknown forger baffled detection, at the expense of the corporation.

Among other advertisements in the "*Daily Advertiser*," in 1780, might be seen one for a servant; to which an answer was sent by a young man, in the employment of a musical instrument-maker, who, some time after, was called upon by a coachman, and informed that the advertiser was waiting in a coach to see the candidate for the situation. The young man went, and was desired to enter the conveyance, where he saw a person with something of the appearance of a foreigner, sixty or seventy years old, apparently troubled with the gout, as some yards of flannel

* A lottery this year was granted to raise £12,000,000. The exportation of woollen goods from Ireland was this year permitted.

were wrapped around his legs. A camlet surtout was buttoned round his mouth; a large patch placed over his left eye; and nearly every part of his face was concealed. He affected much infirmity, and a faint hectic cough; and invariably presented the patched side to the view of the servant. After some conversation, in the course of which he represented himself as guardian to a young nobleman of great fortune, the interview concluded with the engagement of the applicant, and the new servant was directed to call on Mr. BRANK—the name by which he designated himself—at 29 Titchfield-street, Oxford-street.

At this interview BRANK inveighed against his whimsical ward for his love of speculating in lottery-tickets, and told the servant that his principal duty would be to purchase them. After one or two meetings, at each of which BRANK kept his face muffled, he handed a £40 and £20 bank note; told the servant to be very careful not to lose them; and directed him to buy lottery-tickets at separate offices. The young man went, fulfilled his instructions, and at the moment he was returning, was suddenly called by his employer from the other side of the street, congratulated on his rapidity, and then told to go to various offices in the neighborhood of the Royal Exchange, and purchase more shares. To do this, £400 in Bank of England notes were handed him, and the wishes of the mysterious Mr. BRANK were satisfactorily effected. These scenes were continually enacted. Notes to a large amount were thus circulated; lottery-tickets purchased; and Mr. BRANK, always in a coach, with his face studiously concealed, ready on the spot to receive them. The surprise of the servant was somewhat excited; but had he known that from the period he left his master to purchase the tickets, one female figure accompanied all his movements; that when he entered the offices, it waited at the door, peered cautiously in at the window, hovered around him like a second shadow, watched him carefully, and never left him until once more he was in the company of his employer, that surprise would have been greatly increased.

Again and again were these extraordinary scenes rehearsed; again and again were lottery-tickets procured; and again and again was the servant allowed only to see the patched side of his master's face. At last the bank obtained a clue, and the servant was taken into custody, his simple statement disregarded, and his person incarcerated. The directors imagined that at last they had secured the actor in so many parts; that the flood of forged notes which had inundated the establishment would cease. Their hopes proved fallacious, and it was found that "old PATCH" had been sufficiently clever to baffle the bank directors. The house in Titchfield-street was searched; but Mr. BRANK had deserted it. The servant was discharged from custody, with a present of £20; the advertisements re-appeared; rewards were again freely offered; but in vain. The extraordinary Mr. BRANK remained as inaccessible as ever, and the forgeries, as usual, became more plentiful about the period of the lotteries.

But the mind of this man—a master in the art of crime—invented a new method of fraud. In 1785 the public prints report the following: "On the 17th of December £10 was paid into the bank, for which the clerk, as usual, gave a ticket to receive a bank note of equal value. This

ticket ought to have been carried immediately to the cashier; instead of which, the bearer took it home, and curiously added an 0 to the original sum, and, returning, presented it, so altered, to the cashier, for which he received a note of £100. In the evening, the clerks found a deficiency in the accounts, and, on examining the tickets of the day, not only that, but two others, were discovered to have been obtained in the same manner. In the one, the figure 1 was altered to 4, and in another, to 5; by which the artist received, upon the whole, near £1,000." The contriver of this ingenious fraud proved to be the same individual who had so long baffled the police; but in a short time his career was closed. One of the notes, given in pledge for costly articles of plate, with which he graced expensive entertainments, was traced to the silversmith, and, after innumerable names, innumerable lodgings, and innumerable disguises, the end of CHARLES PRICE was fast approaching. With great ingenuity he procured the destruction of his implements, through the agency of his mistress, notwithstanding the acuteness of the police. The assurance of this man, in the safety of his transformations, had been complete.

It has been said that his accomplice in crime watched the person he employed, while PRICE was waiting close to the spot. Had any suspicious appearance occurred at the lottery-office, she would immediately have given a signal to PRICE, who would have torn off his dress as old PATCH, and appeared in his own character. He seems to have been thoroughly known as "PATCH," (from the covering over his eye,) but his identity with PRICE, the lottery-office keeper and stock-jobber, was not suspected. His end was worthy his life. He employed his son to procure the necessary implements of destruction, and, on the following morning, he was found hanging. A jury sat upon the body—on which the old barbaric custom was enacted—and midnight witnessed the lonely cross-road receive the remains of the forger.

The desire of the directors to discover the makers of forged notes produced a considerable amount of anxiety to one whose name is indelibly associated with British art. GEORGE MORLAND—a name rarely mentioned but with feelings of admiration and regret—had, in his eagerness to avoid incarceration for debt, retired to an obscure hiding-place, in the suburbs of London. The description of ALLAN CUNNINGHAM is vivid. "On one occasion," says this biographer, "he hid himself in Hackney, where his anxious looks and secluded manner of life induced some of his charitable neighbors to believe him a maker of forged notes. The directors of the bank despatched two of their most dexterous emissaries to inquire, reconnoitre, search and seize. The men arrived, and began to draw lines of circumvallation round the painter's retreat. He was not, however, to be surprised; mistaking those agents of evil mien for bailiffs, he escaped from behind as they approached in front, fled into Hoxton, and never halted till he had hid himself in London. Nothing was found to justify suspicion; and when Mrs. MORLAND, who was his companion in this retreat, told them who her husband was, and showed them some unfinished pictures, they made such a report at the bank, that the directors presented him with a couple of bank notes of twenty pounds each, by way of compensation for the alarm they had given him."

CHAPTER XI.

LEGAL OPINION—ABOLITION OF TALLIES—FORGERY—EXTENSION OF THE CHARTER—OPINIONS OF LORD NORTH—INCREASE OF CAPITAL—LEGAL DECISION CONCERNING FORGED NOTES—STAMP DUTIES—NATIONAL DEBT—CURIOUS ANECDOTES—FRAUD AND FORGERY—UNCLAIMED DIVIDENDS—DISTRESS OF 1793—ISSUE OF EXCHEQUER BILLS—LOYALTY LOAN.

UP to the year 1780, bank stock was transferred to legatees without the interposition of executors. The opinion of Lord ELDON seems undecided as to the justice of altering this arrangement. "I have always doubted," he said, "whether the legislature, who meant to give a peculiar value to stock in the life of the party, did not also mean that he should have the power of devising it; and that it should go to the devisee, not through the executor or administrator, but by the effect of the devise; and that it should go to the executor or administrator only in fault of the devise directed by the statute." It is now settled that it passes to the executor, the assent of whom is necessary before the legatee can receive.

In 1783 an act was passed which arranged for the abolition of tallies. The word has been so often used, that the following description may not prove uninteresting: "A tally is a cleft piece of wood, used to score an account upon by notches, and was given at the exchequer to those who pay money there upon loans. Another part was called the counterfoil, or counter-stock, and was kept by an officer of the exchequer. The first contractors were authorized to transfer their interest by endorsements on these tallies, and the endorsements were entered in the bank books. The entries in the books were only to inform the government to whom the dividends were payable, the right of these persons depending on the tally." The act passed in 1783 abolished tallies for a better method of transacting business, and they are now only known by tradition.

The notes of a banking establishment are always liable to imitation; and as the paper of a national bank circulates as freely as coin, it is not surprising that men of desperate hopes have successfully attempted to gain by fraud that which they were denied by fortune. From time to time the public records bear testimony to this; and so numerous did the forgeries become, that it will be only the more important or the more curious with which the patience of the reader will be tried.

JOHN MATHISON was a man of great mechanical capacity, who, becoming acquainted with an engraver, unhappily acquired that art which ultimately proved his ruin. A yet more dangerous qualification was his of imitating signatures with inconceivable accuracy. Tempted by the hope of sudden wealth, his first forgeries were the notes of the Darlington Bank. This fraud was soon discovered; and a reward being offered, with a description of his person, he escaped to Scotland. There, scorning to let his talents lie idle, he counterfeited the notes of the Royal Bank of

Scotland, amused himself by negotiating them during a pleasure excursion through the country, and reached London, supported by his imitative talent. Here a fine sphere opened for his genius, which was so active, that in twelve days he had bought the copper, engraved it, fabricated notes, forged the water-mark, printed and negotiated several. When he had a sufficient number, he travelled from one end of the kingdom to the other, disposing of them. Having been in the habit of procuring notes from the bank, (the more accurately to copy them,) he chanced to be there when a clerk from the excise office paid in 7,000 guineas, one of which was scrupled. MATHISON, from a distance, said it was a good one. "Then," said the bank clerk, on the trial, "I recollected him."

The frequent visits of MATHISON, who was very incautious, together with other circumstances, created some suspicion that he might be connected with those notes, which, since his first appearance, had been presented at the bank. On another occasion, when MATHISON was there, a forged note of his own was presented, and the teller, half in jest and half in earnest, charged MAXWELL, the name by which he was known, with some knowledge of the forgeries. Further suspicion was excited, and directions were given to detain him at some future period. The following day, the teller was informed that "his friend MAXWELL," as he was styled ironically, was in Cornhill. The clerk instantly went; and under the pretence of having paid MATHISON a guinea too much on a previous occasion, and of losing his situation if the mistake were not rectified by the books, induced him to return with him to the hall; from which place he was taken before the directors, and afterwards to Sir JOHN FIELDING. To all the inquiries he replied, "He had a reason for declining to answer. He was a citizen of the world, and knew not how he had come into it, or how he should go out of it." Being detained during a consultation with the bank solicitor, he suddenly lifted up the sash, and jumped out of the window. On being taken and asked his motive, if innocent, he said "it was his humor."

In the progress of the inquiry, the Darlington paper, containing his description, was read to him, when he turned pale, burst into tears, and saying he was a dead man, added, "now I will confess all." He was, indeed, found guilty only on his own acknowledgment, which stated he could accomplish the whole of a note in one day. It was asserted at the time, that, had it not been for this confession, he could not have been convicted. He offered to explain the secret of his discovery of the water-mark, provided the corporation would spare his life; but his proposal was rejected, and he paid the penalty of his crime.

The charter of the company, being within five years of its expiration, was discussed in 1781. The experience of years had proved that the renewal of the privileges was only to be obtained by payment. The ministry of 1781 were not likely to be less urgent than their predecessors. The position of Great Britain, also, was somewhat precarious. Mr. ALISON says of the period: "French diplomacy acquired the lead in Europe; the dreams of the philosopher were exchanged for the skillful combinations of experienced statesmen. Russia, Sweden, Denmark were united in a hostile league; America, Spain and France in an armed confederacy against Great Britain. The combined fleets rode triumphant

in the British channel; and however strange it may sound to modern ears, it is historically true, that England was more nearly subdued by the wisdom of LOUIS XVI. and the talent of VERGENNES than by the genius of NAPOLEON and the address of TALLEYRAND." To maintain such a war money was absolutely necessary, and once more the authorities were called on to bargain with a necessitous State. The first charter had been expressly granted by WILLIAM, in return for the loan of £1,200,000. On its extension, in 1697, no payment was asked in return. The services of the bank were felt because they were novel; and they were acknowledged because they were felt. The great financier of that day, Mr. MONTESQUIEU, with the "wise Lord GODOLPHIN," were, in the first flush of gratitude, sufficiently honest to enunciate a principle, which they were equally honest to act upon. They, with other great men of the day, declared, in 1696, "that the establishment and prosperity of the bank were so much a national benefit, that they were of opinion that *no fine ought to be expected for a renewal*, but that the company should always be supported and cherished by the public." The directors had learned by experience, however, that statesmen's views, like lover's vows, are mutable. The terms they proposed for an extension of the charter, for twenty-five years, were a loan of two millions for three years, at three per cent. Vehement opposition was the result. Some objected to the amount of payment; others resisted the principle of a renewal. It is, indeed, surprising, that so moderate an offer was accepted. The remarks of Lord NORTH, however, betray how much the money was required. "I propose to pay off two millions of navy debt with the two millions now offered; a debt which has ever hung like a millstone round the neck of public credit." The whole of this speech is worth recording, for it marks, in strong and energetic language, the opinion which this statesman entertained of the services of the corporation. "The bank, by prudent management, by judicious conduct, wise plans, and punctuality in establishing its credit, had contributed very essentially to promote national credit; a matter equally advantageous to this country at home and abroad. It might be said by some, if the present banking company will not give more institute a new company. They knew not the solid advantages resulting to the public from its connection with the present company. They were not aware of the dreadful consequences that might attend the attempt to incorporate a new one. And were it possible, how materially might the national credit be affected, from many years elapsing before a new company could establish its character and credit in so eminent a degree as the present bank. So dreadful would be the consequence of breaking up the present bank, that he hoped never to hear of a new company. From being the banker of the public, the bank undoubtedly derived advantages; but the public derived advantages equally considerable from the important accommodation which the bank afforded. It had given him great satisfaction to hear that, in consequence of the bargain being in agitation, not a navy bill was to be bought; if so, it had already produced one great effect."

Sir GEORGE SAVILLE said, that "the noble lord had spoken of the connection between the public and the bank as if he had been describing conjugal love, and enlarging upon the affection of a man and his wife.

He desired to know if the public were about to take a new wife; whether it was fair to say your great-grandfather married the great-grandmother of the young lady without a fortune; your grandfather also married her grandmother without a fortune; your father married her mother with a small fortune; and therefore you ought to marry the daughter with a very trifling increase of portion? It was much fairer for the public to say, 'Aye, indeed, were my ancestors so improvident? I will not copy their example. The young lady's father is grown rich; he can afford to give his daughter a good fortune, and a good fortune I will have, or I will not marry the young lady.'"

Mr. EWER, governor of the bank, declared that the proposition of the directors was such as he could meet on public ground. He thought the bank offered fairly and handsomely when they tendered the public a loan of two millions, at three per cent. interest, for three years.

After some further debates the proposals of the bank were accepted; and the bill renewing the charter for twenty-six years passed into a law.

In 1781* a general court was held at the bank to inform the proprietors that government had consented to renew the charter on the terms stated; and in the same year the proprietors held a general meeting to determine the question of increasing the dividend from five and a half to six per cent. It may be assumed that this was against the wishes of the directors, as it was carried by ballot. On the following day they met to confirm the vote, and to make a call of eight per cent. on the capital, which was thus increased to £11,642,400. A new question arose this year, and was tried by a special jury before Lord MANSFIELD. From the period of the first forgery the paper of the Bank of England had been abundantly imitated. The legal liability of the directors to cash these notes soon became an important point; and a case was tried in which, though it was proved that the cashiers' names were so artfully copied that it was almost as difficult to own as to deny them, yet, being also proved that the notes for which payment was sought had not been issued by the bank, a verdict was given which effectually destroyed the hopes of those who held them. It appears strange that any one could be found to press such a claim. We believe that the directors of the Bank of Austria pay without demur the notes forged in imitation of those issued by them. But this must be a question of policy, and not of justice, as it is impossible to contend that the managers of any bank should pay notes which are formed out of their establishment, which do not bear the signatures of their officers, and for which they have received no consideration.

An act for enlarging the stamp duties was passed in June, 1783. By this the notes and bills of the bank were exempted from its operation, in consequence of the company engaging to pay £12,000 yearly for the privilege; the government allowance of £562 10s. per million, for managing the national debt, was reduced to £450. Of this, which has usually been regarded as a moral rather than a physical weight, a curious

* In this year Mr. PITT made his maiden speech in support of reform. The English nation became clamorous for peace with Holland, and the national debt was increasing rapidly, in view of the war with America. In 1775 the debt was announced as £122,963,000; whereas, in 1783, it was reported at £238,231,000.

estimate was made in 1788. The debt was calculated at 242 millions, and divided into £10 notes; 512 of which weighing one pound, the whole debt amounted to 47,265 lbs.

During a great part of 1782, and part of 1784, the cash and bullion in the bank were very low. The drain proceeded from the great extension of commerce which followed the peace; and so large was the export of merchandise that the circulation could scarcely support it. But it was evident to the directors that the return of the amount of the exports would amply compensate for the preceding diminution. Without, therefore, consulting the ministry, they took the bold step of refusing to make advances on the loan of 1783. Their judgment proved just. By an alteration in the exchanges their anxiety was relieved, and the soundness of the circulation restored.

There are many trifles which an anxious search into contemporaneous documents has brought before the writer. A few of these will be given, before proceeding to the most important periods of the history of the bank. Some are curious in themselves; others possess an interest from their allusion to the times; and all are more or less in connection with an account of the bank. Thus we read in a magazine of 1796, it was calculated that the average balances of the banking houses, including the Bank of England, amounted to £100,000 each; and that the interest of £11,665,440 on the national debt, was one shilling in the pound on £233,308,800, the annual income of the country.* The following is a curious instance of the "vile use" to which bank notes may occasionally be placed, from ignorance of their value. A gentleman who had missed his path in Hertford, rode up to a cottage for directions. Here, with an old ballad stuck against a broken window-pane, was a bank note for £20. The aged couple to whom it belonged could neither read nor write, and were overjoyed at the money of which they had been in ignorant possession.

The fascinations of fraud must be great. Half the ingenuity which is experienced in deception, or half the talent which persons of damaged reputation employ to gain a living dishonestly, could not fail to win wealth, repute and the world's applause.

In 1780, a gentleman of eminence in the mercantile world was grieved by the contents of a letter which he received from a correspondent at *Hamburgh*, the post-mark of which it bore. From the statement it contained, it appeared that a person most minutely described had defrauded the writer, under extraordinary circumstances, of £3,000. The letter continued to say, information had been obtained that the defrauder—the dress and person of whom it described—was occasionally to be seen on the Dutch Walk of the Royal Exchange. The object of the writer was to induce his correspondent to invite the party to dinner; and, by any moral force which could be used, compel him to return the money; adding that, if he should be found amenable to reason, and evince any signs of repentance, he might be dismissed with a friendly caution and five hundred pounds, as he was a near relation of the writer. As the gentle-

* Mr. W. RAY SMEE, in his pamphlet on the income tax, in 1846, after some elaborate calculations, estimates the present income of Great Britain at 488 millions.

man whose name it bore was a profitable correspondent, the London merchant kept a keen watch on the Dutch Walk, and was at last successful in meeting and being introduced to the cheat. The invitation to dine was accepted; and the host, having previously given notice to his family to quit the table soon after dinner, acquainted his visitor with his knowledge of the fraud. Alarm and horror were depicted in the countenance of the young man, who, with tones apparently tremulous from emotion, begged his disgrace might not be made public. To this the merchant consented, provided the £3,000 were returned. The visitor sighed deeply, but said that to return all was impossible, as he had unfortunately spent part of the amount. The remainder, however, he proposed to yield instantly, and the notes were handed to the merchant, who, after dilating upon the goodness of the man he had robbed, concluded his moral lesson by handing a check for £500 as a proof of his beneficence. The following morning the gentleman went to the banker to deposit the money he had received, when, to his great surprise, he was told that the notes were counterfeit. His next inquiries were concerning the check, but that had been cashed shortly after the opening of the bank. He immediately sent an express to his *Hamburgh* correspondent, who replied, that the letter was a forgery, and that no fraud had been committed upon him. The whole affair had been plotted by a gang, some of whom were on the continent, and some in *England*.

From a pamphlet, published a quarter of a century ago, the following description of the probable origin of country banking is presented.

Banking in the country, like that in the metropolis, first originated among the more opulent and respectable class of traders and merchants. In every town, and in many villages, there existed, prior to what were afterwards termed banks, some trader, manufacturer, or shopkeeper, who acted, in many respects, as a banker to the neighborhood. The shopkeeper, for example, being in the habit of drawing bills on London, and of remitting bills there, for the purpose of his own trade, and receiving also much money at his shop, would occasionally give gold to his customers, taking in return their bills on the metropolis, which were mixed with his other bills, and sent to his London correspondent. Persons who were not customers, being also found to want money for bills, or bills for money, the shopkeeper was led to charge something for his trouble in accommodating them; and the trade of taking and drawing bills being thus rendered profitable, it became an object to increase it. For the sake of drawing customers to his house, the shopkeeper, having yet, possibly, little or no view to the issuing of bank notes, printed "the bank," over his door, and engraved these words on the checks, on which he drew his bills.

It may be assumed also to have been common, before country banks were established, for the principal trader in a town to take at interest some of the money of his neighbors, on condition, however, that he should not be required to give it back without notice. The money thus deposited, or borrowed by him, might either be thrown into his trade, or employed in discounting bills soon to become due; but the latter would evidently be the most safe and prudent way of investing it.

The transition from this capacity to that of the modern country banker

is so obvious, that it is not necessary to trace it through the several grades by which it was made. It was some time, however, before the practice of issuing notes payable to bearer on demand, was adopted, and which only became general in the interval between the French and American war. The country was then in a state of great prosperity, confidence was high, commerce and trade had gradually extended, the income and expenditure of individuals had augmented, and every branch of the banking business naturally enlarged itself. An increase had been made in the number of London bankers; and some of them took active measures to encourage the formation of small banks in the country, with a view to the benefit expected from a connection with them.

These new establishments having taken place, various country traders, who had before made use of their own correspondents in London, fell into the practice of transacting their business with the metropolis, through the medium of their country bankers, with whom they kept their cash. The country banker drew largely on a London banker on the account of the country trader, and the London banker was willing to execute the extensive country business which he thus acquired, in consideration of a much lower commission than had before been paid by the several country traders to their separate correspondents in London, who had been, for the most part, London merchants.

Such are the most material facts in the origin and progress of the provincial banks, and the general substitution of a paper for a metallic currency. They naturally grew out of the circumstances of the country, and are an effect of the division of labor, which takes place in every opulent community.

In 1789 an ingenious fraud was perpetrated by FRANCIS FONTON, a clerk in the establishment, one of those men whose real sin is covered by an appearance of sanctity. Having been requested by a friend to purchase £50 stock, FONTON gave him a forged receipt, and induced him, in addition, to sign a transfer for £450, under the idea that it was an acceptance of the £50. He remarked to a friend, shortly after his conviction, that "he had taken care of his soul, and did not mind what they did with his body;" which was dealt with according to law."

On the 15th December, 1790,* Mr. PITT made his first attempt upon

* The original sinking fund of 1786, consisting of an annual grant of £1,000,000 from the consolidated fund, increased, in 1792, to £1,200,000, together with the interest of the debt redeemed, and annuities for lives or years which might expire, but limited not to exceed £4,000,000, was appropriated for the redemption of the debt then existing, of £238,231,248; and, therefore, when a sum of redeemed debt to that amount should be vested in the hands of the commissioners, that debt was to be considered as discharged.

In 1792, when the war with France commenced, and new loans became necessary, a sinking fund of one per cent. was created on the nominal sum of each loan, which, it was estimated, would redeem it within forty-five years, at farthest, from its contraction. In the succeeding years, this system was so far deviated from, that loans, to the amount of £86,796,375 were contracted, without any sinking fund being provided for their discharge.

Had the original system of 1786 and 1792 been adhered to, so soon as the debt of 1786 was redeemed, the nation would have been eased of taxes to the amount of the interest of that debt, and of the sum appropriated to the first sinking fund; or these sums, or any part of them, might have been reserved for the charge of such loans, as the exigencies of the times should require.

the dividends of those fundholders who had allowed them to remain unclaimed. In 1727, the balance of this fund was £43,000; in 1752, £60,000; in 1774, £292,000; in 1776, £314,000; and in 1789, £547,000. In consequence of these accumulations, Mr. PITT proposed to take all, excepting a floating balance of £50,000, to be left in the hands of the bank. It caused indignation, not usual in collective bodies, to spread through the bank stock proprietary; courts were held, at which the proposition was denounced; counsels, opinions stated, speeches uttered, which blended national insecurity with the seizure of the unclaimed dividends, and the destruction of public faith with the invasion of the corporation coffers; and all with that earnest eloquence which is born of invaded rights or diminished purses. But the measure was introduced into Parliament, and the opposition became more energetic. The fine mind of BURKE was employed in ridiculing the proposal, and the great Whig leader argued strenuously against its injustice. Meetings of the proprietors were again held, and the conduct of Mr. PITT reprobated in no measured terms. It was called "so miserable a financial operation, that the world would think we were at the end of our resources." A proposal was made by the governor to lend £500,000, without interest, until the unclaimed dividends should be less than £600,000, on condition of an abandonment of the claim. The prescient mind of Mr. PITT, which saw the improbability of their decrease, induced him to accept the proposal, and thus ended the first attempt upon the unclaimed dividends. It is probable that the bank proprietors regarded them as the property of the corporation, and this may account for the lively interest excited at the prospect of their removal. The question appears a very simple one. In the absence of a claimant, they belonged either to the bank or to the State. If to the bank, it must have been by special agreement. As mere paymasters of the government, they could not possess the slightest claim. It was an accumulated fund, which belonged to the government in the absence of the owner. It is, however, impossible to read the objections raised against the government, for demanding their own property, without wondering at the party-spirit which could warp the clear views of statesmen like Mr. Fox and Mr. BURKE, and induce them to oppose a claim, the justice of which was indisputable. In 1791, in consequence of this question being mooted, a list of those persons entitled to unclaimed dividends was first published. It has proved in many cases a benefit of the utmost importance, and should be circulated to the greatest possible extent, as it is probable that, at the present moment, many creditors of government are languishing in poverty, from an ignorance of their just claims.

In 1793 an act was passed protecting the governor and company from any penalty on account of their having advanced, or advancing in future, any sums of money in payment of bills of exchange, not charged on any branch of the revenue. In the same year the East India annuities were placed under the management of the bank, and in the following year the government of Ireland negotiated a loan, with an option to the subscribers of receiving their dividends and transferring their stock in London. The management of such dividends and transfers was undertaken by the directors of the bank, and the agreement received the sanc-

tion of Parliament. In 1795 the corporation commenced an issue of £5 notes.

During the year 1793, one of those seasons of distress, which occur from time to time, shed a gloom throughout England. A period of peace had produced great apparent prosperity. From the American war to the French revolution, England had enjoyed a state of profound repose. The eminently commercial minds of the people had employed this period in extending the trade, and in seeking fresh employment for the accumulating capital. Building, machinery and inland navigation employed part of it, and the augmented business of the country demanded new banks, which, by the additional facilities they gave to commerce, tended greatly to improve it. For eight or nine years it had progressively increased; but at the end of 1792 wide commercial misery spread throughout England. "On Tuesday evening, the 19th February, 1793," says CHALMERS, "the Bank of England threw out the paper of LANE, SON & FRASER, and next morning they stopped payment to the amount of almost a million of money. This great failure involved the fate of several very substantial traders."

Merchants, with ample but unavailable funds, were compelled to bend before the storm. Bankers of unquestionable solidity ceased payment under the influence of the panic. Every man was suspicious of his neighbor. The value of property seemed annihilated in the doubt and dread of the people. Gloomy apprehensions seized on all; and those who had money preferred rather to hoard than to risk it. The country banks were the greatest sufferers; and the ruin they experienced spread like a plague among the interests which had trusted them. They had pushed their notes eagerly into circulation, and were the chief cause of the great drain of cash from the Bank of England, which exceeded any demand of the kind for more than ten years. Upwards of one hundred country banks failed. Mr. TOOKER considers the distress of this period to have been exaggerated; but the failure of so many banks must have involved an incalculable amount of misery.

CHALMERS believes the whole mischief to have arisen from the increased number and reckless operations of the country banks, one of which was in nearly every market town. Of these establishments, 204 out of 279 issued what were termed optional notes, payable either in the metropolis or in the country. "They came oftener," he says, "and in greater numbers, to London, than were welcome in the shops of London. These notes became discredited, not only in proportion as the supply was greater than the demand, but as the banks were distant and unknown. The projects and arts by which those notes were pushed into the circle of trade, were regarded with a very evil eye by those who, in this management, saw great imprudence in many, and a little fraudulence in some. When suspicion stalked out to create alarm, and alarm ran about to create panic, more than 300 country banks in England sustained a shock."

The alarm grew so universal, that government were compelled to take notice of the applications made for assistance. The restoration of confidence was an important point: Mr. PITT, therefore, called a meeting at his private residence, to consider the propriety of a parliamentary advance

of exchequer bills, on sufficient security, to those persons by whom the pressure of the times was felt.* Various opinions were broached; and, after a lengthened discussion, it was resolved that a meeting should be held at the Mansion-house, to consider the plan proposed by the minister. Here another discussion ensued, which ended in the unanimous adoption of a resolution, "that the interposition of Parliament was necessary, and that an issue of exchequer bills was the best practical remedy."

The position of trade at this juncture was unquestionably critical. The discredit of the country paper had produced a deficiency of the circulating medium, and mercantile transactions were greatly impeded by it. The bankers, anxious to retain their own credit immaculate, kept larger sums in their possession than was necessary, so that a considerable part of the circulation was withdrawn; and those merchants who required discounts on long-dated bills found a difficulty in procuring them. Houses, with sufficient securities to meet all their creditors, and, probably, leave an overplus of hundreds of thousands, were compelled to suspend payment. Manufacturers could neither dispose of their goods nor raise money on them. The two great chartered banks of Scotland felt the difficulty. Those of Glasgow, Paisley and Greenock had ceased to discount to any extent, as their notes were returned for gold, and their power crippled. On these, and similar grounds, a committee recommended that five millions should be advanced in exchequer bills, on security approved of by the commissioners, or on the deposit of goods of double the value of the sums advanced. The effect of this measure was immediate and universal. The capitalists, who had held back when help was required, came forward directly government proffered its assistance. "The very first intimation of the intention of the legislature," says MACPHERSON, "to support the merchants, operated all over the country like a charm, and in a great degree superseded the necessity of the relief, by an almost instantaneous restoration of mercantile confidence." Out of the five millions voted, only £2,202,200 were advanced, which was all ultimately repaid; and, though two hundred and thirty-eight persons were assisted, only two became bankrupt. By the end of the year, confidence was restored, and the facilities for raising money were as usual. A drain upon the gold of the bank, arising from these causes, commenced in June, 1792, and lasted till the following March. The bank increased their discounts; and the

* The present sinking fund was established under Mr. PITT's administration, in 1786. The various branches of revenue then existing were united under the name of the consolidated fund. One million, taken from that fund, was vested annually in the hands of commissioners for the redemption of the national debt, to be applied for purchasing capital in such stocks as they should judge expedient, at the market prices.

To this fund was to be added the interest of the debt redeemed, and annuities fallen in by the failure of lives, or the close of the terms for which they were granted, and life annuities fallen in by the failure of lives, or the close of the terms for which they were granted; and life annuities unclaimed for three years were considered as expired, and added to the sinking fund. When this fund amounted to £4,000,000, it was enacted that the interest of the redeemed debt, and annuities fallen in, were no longer to be applied to it, but remain at the disposal of Parliament.

amount of cash and bullion gradually arose until it reached the amount from which it had commenced declining.

A writer of the present century, now no more, but one whose losses in American securities were a great gain to literature, wrote with his unequalled pen, "The warlike power of every country depends on their three per cents. If CÆSAR were to reappear on earth, WETTENHALL'S list would be more important than his 'Commentaries;' ROTHSCHILD would open and shut the Temple of JANUS; THOMAS BARING, or BATES, would probably command the tenth legion; and the soldiers would march to battle with loud cries of scrip and omnium, reduced, consols, and CÆSAR." The following fact is some testimony of the truth of these remarks of the witty canon of St. Paul's. In 1796, the wealth of England was demonstrated in an extraordinary degree. The correspondence of Lord MALMESBURY has proved that Mr. PITT was always willing to enter into a negotiation for peace. The French directory, however, fancying that the riches of England were evaporating, were reluctant to come to terms. The belief spread throughout the country that this arose from an opinion that the resources of England were nearly exhausted, and Mr. PITT determined to avail himself of the feeling, by demanding a loan of £18,000,000. The following were the terms proposed: "Every person subscribing £100 to receive £112 in five per cent. stock, to be unredeemable, unless with the consent of the owner, until the expiration of three years after the present five per cents shall have been redeemed, but, with the option of the holder, to be paid at par, at any shorter period, not less than two years from the conclusion of the definitive treaty of peace." On the first day of December the subscription opened. The bank subscribed one million, and each of the directors £400,000. The first day saw five millions subscribed, and in the second the subscription reached nearly twelve millions. The anxiety continued on the third; and on the following Monday, the names received from the country were added before the opening of the doors, when, so great was the crowd, that numbers could not get near the books, but called out to their more fortunate brethren to enter their names. In an hour and twenty minutes the subscription was filled. "So great and so general," says Mr. WEIR, "was the desire* to subscribe, that the room was a scene of the utmost confusion. Persons continued to come long afterwards; and a vast number of orders were sent by post, which were too late to be executed. It is a curious fact that the subscription for this enormous sum was completed in fifteen hours and twenty minutes. The loan, from the stimulus of national excitement under which it was raised, was called "the Loyalty Loan."

* The three per cents, from 57, at the close of the war with America, had risen to 99; and the overflowing wealth of the capital was already finding its way into the most circuitous foreign trades and hazardous distant investments. The national revenue amounted to £16,000,000, and the army included 32,000 soldiers in the British Isles, besides an equal force in the East and West Indies, and thirty-six regiments of yeomanry. But these forces were rapidly augmented after the commencement of the war; and before 1796 the regular army of Britain amounted to two hundred and six thousand men, including forty-two thousand militia.—ALISON'S *Europe*, vol. 1, p. 158.

CHAPTER XII.

HISTORICAL SKETCH OF THE CESSATION OF CASH PAYMENTS—APPLICATION OF MR. PITT—
ASSISTANCE RENDERED BY THE COURT OF DIRECTORS—DIMINUTION OF DISCOUNTS—
POLITICAL POSITION OF THE COUNTRY—DRAIN OF BULLION.

A HISTORY of the cessation of cash payments, in 1797, would be incomplete, without a sketch of the political events which tended to produce it. Thirty years of peace, thirty years of social, moral and physical progress, have enabled the present generation to judge calmly of the events of half a century ago.

Up to the year 1789, the spirit of the times was monarchical. The existing European dynasties possessed great, and, in many instances, irresponsible power. That power was wielded harshly. The great lesson had yet to be learned, that the real strength of a king is the love of his people. In that year, the upheavings of the moral earthquake, which was to create a change in all the institutions of Europe, were felt in Paris. At first, a generous love of liberty pervaded the nation; and the inhabitants of England sympathized with their neighbors. But anarchy succeeded to revolution; the capital was convulsed; the reign of terror followed; and they who had been loudest in their applause were the most rapid in their recantation. "Even in its first hours it showed a thirst for slaughter," says Dr. CROLY, "which stamped its nature. The acclamations of Europe, which, struck with its sudden vigor, its lofty protestations, and the bold rapidity of its strides over the wrecks of feudalism, had followed its early progress, soon died away; men could not wade after it so deep in gore. Still it rushed on, flinging aside at every step some portion of that jesuitical mask which it first wore; hourly rending away, with a more contemptuous hand, some fragment of those ties which allied it to the common families of nations; until at length it scaled the steps of the throne, tore down its unfortunatè possessor, and, with the guillotine for its footstool, and the populace for its ministers, seated itself in full supremacy of ruin."

England, with the English nation, felt the shock; a desire for political change spread throughout the country. But the people witnessed the thirst for blood which seized their neighbors, and the sound English heart recoiled from the horrors of the guillotine, from the barbarities of the convention and from the reign of terror. The powers of the continent were stricken with alarm, and united to quench the democratic fury of the republic. But the energy of the French citizens pervaded the soldiery, and they sent the invaders in confusion from the soil of France. From this period a fierce and expensive war shook Europe to her centre; and England bore the burthen. In six months, WILLIAM PITT concluded seven treaties and six subsidies; and France saw her territories invaded by three hundred and fifty thousand of the most warlike troops in Europe. But the pressure fell fearfully upon the people of Great Britain. The national debt was doubled; the national taxes were increased; the na-

tional industry was checked; and, more dangerous than all, national credit was difficult to maintain. Gold grew scarce throughout the country; bullion fled from the bank coffers; and the corporation, urged by WILLIAM PITT, strained credit, means and almost character, to support the government, of which he was the leader. It was, indeed, a question of national existence. A dishonorable peace might have been obtained; but no true Englishman thought of that. It was a question also of existence for the bank, whose life was bound up with that of the State.

It is not too much to say that the bank directors were the support of the country's credit. Bills, for which no forethought of the ministry could provide, were met by them. Sudden emergencies of the State were never disregarded by them. The credit of the treasury was maintained; the army and the navy were supported by them. They acted as generous bankers to the government; and bore the displeasure of their proprietary, to whom, had they been disposed to be selfish, they might have pointed, while they exclaimed, "We do perceive here a divided duty." They were the nerves and sinews of the State.

This is no overcharged picture, drawn by a partial testimony. The evidence of the bankers, and other great men of the city, vouch for it. The letters of WILLIAM PITT verify it. The censure of some of the proprietary, who shortsightedly preferred a large dividend to the salvation of their country, proves it.

But the court of directors were not passive tools. Because no remonstrances appeared, it is not to be concluded that none were made. On the 15th January, 1795, two years before the cessation of cash payments, they came to a resolution to inform the chancellor of the exchequer, "it was their wish that he would settle his arrangements for the present year, so as not to depend on any further assistance from them; and that the stipulation for the future advances for payment of treasury bills of exchange be strictly adhered to, as they could not allow it to exceed £500,000." On 16th April, the governor and deputy-governor were requested by the court "to wait on the chancellor of the exchequer, and express their uneasiness at being in advance for so long a period, of from one and a half to two millions on the treasury bills." It was added, "The court cannot allow any disbursement exceeding £500,000; and they request the chancellor of the exchequer to order the same to be paid." On the 5th of June, a note from the governor and deputy-governor informed Mr. PITT, that though he had promised the advance on the treasury bills should not exceed £500,000, yet they were in advance on them £1,210,015; that by next week it would be £168,467; and they hoped he would give directions in future to prevent it." On the 30th July it was resolved, "That the governor and deputy-governor request the chancellor of the exchequer to adopt some other mode of paying the treasury bills; and that the court is determined to order their cashiers to refuse payment of all bills whenever the advance shall amount to £500,000."

The only reply from Mr. PITT was a request for a further accommodation, on the credit of the consolidated fund, which the court refused to sanction, until they had received satisfaction on the topic of the treasury bills, and requested Mr. PITT to enter into a full explanation on this subject, which was not even touched upon in his letter. This resolution

being communicated, Mr. PITT wrote to the governor and deputy-governor on the 12th August, that "they might depend upon measures being immediately taken for the payment of one million, and a further payment, to the amount of one million, being made in September, October and November, in such proportions as might be found convenient. But, as fresh bills might arrive, he was under the necessity of requesting a latitude to an amount not exceeding one million." About the same period the court "desired the governor and deputy-governor would express their earnest desire that some other means might be adopted for the future payment of bills of exchange drawn on the treasury." On the 8th of October Mr. PITT was desired to reimburse the bank one million, conformably to his agreement, together with two millions and a half lent him on the consolidated fund. On the 23d October the governor mentioned to the chancellor that he had heard there might be annexed to a proposed loan, one of £1,400,000 to the Emperor of Germany. Mr. PITT replied, that he had not at present the most distant idea of it. The governor said, "he received the answer with pleasure, thinking, as he did, that another loan of that sort would go nigh to ruin the country." The governor also acquainted Mr. PITT that there was a drain on the cash, which was likely to continue while the bills from abroad were drawn on the treasury.

There is no servility in these communications. They are such as any honorable body, jealous of its own credit, and desirous of the country's reputation, could not fail to make. But their appeals grew more serious. On the 18th November "the governor informed Mr. PITT that gold was £4 2s. per ounce, that the daily large drains of specie from the bank filled the minds of the directors with serious apprehensions, and that he must not rely on any aid from them." In a communication of 20th November, the governor repeated to Mr. PITT the "absolute determination of the court to have the advance on the treasury bills quite cleared off," and that it would be utterly out of the power of the court to make the advance on the vote of credit. On the 28th January, 1796, the governor informed the court that £201,000 treasury bills would fall due for payment at the bank on 3d February, and that the sum now in advance was £1,157,000. The court came to the bold resolution, "That the governor give directions to the cashiers not to advance any money for the payment of these bills, nor to discharge any part of the same, unless money shall be sent for the same."

To this resolution the directors adhered, and for once the chancellor of the exchequer, after dwelling on the great inconvenience it would cause him, said, "he would arrange his affairs so as to provide the money in time for the payment of the treasury bills." Compulsion like this was not very pleasing to the "heaven-born minister;" and on 12th February, 1796, Mr. PITT made the following ominous remark, in reply to a communication from the governor: "It lay with the court of directors to judge whether they chose to accommodate the public or not."

About the commencement of this year it was proposed to raise a loan in Germany, for the emperor, to be assisted by a guarantee from the English Parliament. It was soon discovered, however, that the loan might as well be procured in England, as the guarantee would have

nearly the same effect as raising it in this country. The directors were alarmed at the prospect of the gold diminishing, and came to the following resolution: "It is the opinion of this court, that if any further loan or advance of money to the emperor, or any other foreign State, should, in the present state of affairs, take place, it will in all probability prove fatal to the Bank of England. The court of directors do therefore most earnestly deprecate the adoption of any such measure, and they solemnly protest against any responsibility for the calamitous consequences that may follow thereupon." On the 20th of July Mr. PITT wrote a letter to the governor. The following is an abstract of some of the most marked sentences, and demonstrates the importance attached by Mr. PITT to the advances for which he asked:

"I shall consider it as a great accommodation." "I am also under the indispensable necessity of expressing my earnest hope that the court will be induced to make a present advance of £800,000 on the consolidated fund." "I shall also be obliged to request a further advance of £800,000, on the same security, in August." The conclusion is remarkable: "It gives me much concern to be obliged to apply for an accommodation to so large an extent; but I cannot too strongly represent how necessary it is for the public service." One week only after this he wrote even more ardently, with a request for assistance, stating, "He felt it an indispensable duty to represent to them, in the most earnest manner, that it would be impossible to avoid the most serious and distressing embarrassments to the public service," unless his request could be complied with. This appeal was met by the resolution, that the "court do agree to advance, for the service of the public, the sum of eight hundred thousand pounds, on the security of the exchequer bills."

But the almost solemn tone of the letter from Mr. PITT alarmed the directors, and they resolved "that this court do expect that the chancellor of the exchequer will give a promise that a new mode of paying the treasury bills shall be adopted immediately on the meeting of Parliament, as this court will not continue discharging them any longer." It was also accompanied by the following memorial: "The court of directors of the Bank of England, fully sensible of the alarming and dangerous situation of the public credit of this kingdom, and deeply impressed by the communication made to them by the Right Honorable WILLIAM PITT, are very willing and desirous to do every thing in their power to support the national credit; but in complying with the request made them by the Right Honorable WILLIAM PITT, they think they should be wanting in their duty to the proprietors and to the public, if that compliance was not accompanied with the following most serious and solemn remonstrance, which, for the justification of their court, they desire may be laid before his majesty's cabinet.

"They beg leave to declare, that nothing could induce them, under the present circumstances, to comply with the demand now made upon them, but from the dread that their refusal might be productive of a greater evil; and nothing but the extreme pressure and exigency of the case can in any shape justify them for acceding to the measure; and they apprehend that, in so doing, they render themselves totally incapable of granting any further assistance to government during the remain-

der of this year; and unable even to make the usual advances on the land and malt for the ensuing year, should those bills be passed before Christmas. They likewise consent to this measure, in a firm reliance that the repeated promises, so frequently made to them, that the advances on the treasury bills should be completely done away, may be actually fulfilled at the next meeting of Parliament, and the necessary arrangements taken to prevent the same from ever happening again, as they conceive it to be an unconstitutional mode of raising money, what they are not warranted by their charter to consent to, and an advance always extremely inconvenient to themselves."

This important declaration should be remembered. It marks strong good-will on the part of the directors towards the country, which government should always have borne in mind. On 31st January, 1797, the governor and deputy-governor waited on the chancellor of the exchequer, to represent to him how uneasy the court were at their large advances, and to require that some effective measures should be immediately taken for the payment. On the 10th February, the committee, startled at the prospect of a loan of one million and a half for Ireland, a great part of which would be made in specie, resolved to ask a reduction of the following advances to government :

Arrears of advance on land and malt, 1794,.....	£ 337,000
“ “ “ “ 1795,.....	491,000
“ “ “ “ 1796,.....	2,392,000
Exchequer bills on vote of credit,.....	968,000
“ on consolidated fund, 1796,.....	1,323,000
Treasury bills paid,.....	1,674,645
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	£ 7,185,645
Arrears of interest,.....	400,000
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	£ 7,585,645

This statement was immediately placed before Mr. PIRN, accompanied with a desire that the sums specified might be repaid, or arranged before the settlement of the Irish loan, which was then contemplated. On the 18th of the same month, the governor was requested by the directors to assure Mr. PIRN that this loan “ would most probably bring them under the necessity of shutting up their doors.” On the 21st, a minute of the meeting of the court expressed the conviction impressed upon them “ by the constant calls of bankers from all parts of the town, for cash, that there must be some extraordinary reasons for this drain.”

It is impossible to read these communications, and not remark the assistance afforded to the State, through a series of years. That Mr. PIRN was fully sensible of it, is proved by the proposition he made to the House, to give bank notes the guarantee of the national security. As it was a crisis in the history of the corporation, caused solely by the advances made to government, so it could only be removed or remedied by the chancellor of the exchequer, in his public character. It is due to this gentleman to say, that he did not shrink from the responsibility, but met the galling fire, with which his opponents assailed him, with great gallantry. The fine rhetoric of Mr. Fox, the wit and the eloquence of Mr.

SHERIDAN, were all borne with an equanimity that resulted equally from the possession of a great mind and a great majority.

While these proceedings were pending, other causes were also in active operation. The drain of bullion continued. From month to month the bank found its stock decreasing. From month to month the directors were alarmed by the foreshadow of that which afterwards overtook them. Whether the plan they adopted to avert the difficulty was advisable, is an open question. In 1795 they began to limit their discounts. On the last day of that year the court of directors came to the following resolution, which was ordered to be placed in the discount office :

“ Bank of England, 31st December, 1795.

“ Pursuant to an order of the court of directors, notice is hereby given,
“ That no bills will be taken in for discount at this office, after 12 o'clock at noon, or notes after 12 o'clock on Wednesday.

“ That in future, whenever the bills sent in for discount shall on any day amount to a larger sum than it shall be resolved to discount on that day, a *pro rata* proportion of such bills in each parcel as are not otherwise objectionable, will be returned to the person sending the same, without regard to the respectability of the party sending in the bills, or the solidity of the bills themselves.

“ The same regulations will be observed as to notes.”

The diminution of gold; the price of bullion compared with the value of coin; the alarm occasioned by the position of the country, still maintaining its doubtful struggle with an unscrupulous enemy; the expensive operations of the war, which demanded extensive loans, and the subsidies to foreign powers, which carried the gold out of the country; must be accepted as reasons for the diminution of discounts which preceded the panic of 1797. Many competent persons have been persuaded that the decrease of the circulation from 1795, so far from preventing what is popularly known as a run on the bank, possessed a contrary tendency. They asserted that, by reducing the requisite issue, and diminishing the general accommodation, a pressing demand for specie was occasioned. This idea is supported by the fact, that, from March, 1792, to June, 1793, there was a drain of cash and bullion considerably larger than in the same period during the crisis; but instead of lowering, the directors raised the amount of their discounts, and an almost immediate result was an increase of cash and bullion. There was then, however, no distrust in our political relations. The French revolution* had not assumed the appearance which, in 1797, shed a gloom over all the continent, nor were government called upon to subsidize half the powers of Europe for the sake of checking an universal anarchy. Another cause tended to alarm the people. A man named THOMAS PAINE possessed a certain degree

* The blowing up of the French currency of “ assignats” was the first and last of Mr. PITT’s triumphs. When the campaign of 1793 was commencing, everybody regarded the conquest and dismemberment of France as certain. BURKE had declared that she should be “ blotted from the map of Europe.” PITT had described her as “ in the gulf of bankruptcy.” The pious king, with the whole clergy and aristocracy, had pronounced the “ regicide government” to be “ utterly abandoned of God.”—DOUBLEDAY’S *Financial Review*.

of unenviable notoriety. In 1796 he wrote an inflammatory pamphlet, termed "The Decline and Fall of the English System of Finance," in which he attempted to prove that the cellars of the Bank of England "could not contain so much as two millions of specie; most probably not more than one million." The following is a part of the reasoning by which he arrived at this false conclusion. After arguing that there could not be more than sixteen millions of gold and silver coin in England, he thus proceeds: "But admitting there be sixteen millions, not more than a fourth part thereof can be in London, when it is considered that every city, town, village and farm-house in the nation must have a part of it; and that all the great manufactories, which most require cash, are out of London. Of this four millions in London, every banker, merchant, tradesman, in short, every individual, must have some. He must be a poor shopkeeper indeed who has not a few guineas in his till. The quantity of the cash, therefore, can never, on the evidence of circumstances, be so much as two millions; most probably not more than one million." The same writer then endeavored to prove that the total amount of bank notes in circulation amounted to sixty millions. These assertions, speciously supported, and put forward at a time when the national anxiety was extreme, produced considerable effect amongst those who required support in their faith in the bank. It was the small holder of bank notes who most needed encouragement, and it was the small holder to whom this pamphlet was addressed, and who was most particularly affected by it. At the very period when it was pronounced that there was most probably only one million of specie in the bank, and sixty millions of notes in circulation, it was afterwards proved that the specie was about three, and the circulation only from nine to ten millions. But the mere assertion that sixty millions were circulating, with only one million of cash to meet the payment, must have produced a want of confidence in the people of England, by many of whom the author was regarded as an authority. The public mind, indeed, was altogether agitated.* Towards the close of 1796, and the commencement of 1797, fears of an invasion were very prevalent. Rumors of descent on various parts of the coast were freely propagated. The public were in so feverish a state that they were inclined to believe all they heard, and those possessed of public securities became anxious to receive gold in exchange. The occasion

* The aspect of public affairs in Britain had never been so clouded since the commencement of the war, nor, indeed, during the whole of the 19th century, as they were at the opening of the year 1797. The return of Lord MALMESBURY from Paris had closed every hope of terminating a contest, in which the national burdens were daily increasing, while the prospect of success was continually diminishing. Party-spirit raged with uncommon violence in every part of the empire. Insurrections prevailed in many districts of Ireland; discontents and suffering in all. Commercial embarrassments were rapidly increasing, and the continued pressure on the bank threatened a total dissolution of public credit. The consequence of this accumulation of disasters was a rapid fall of the public securities. The three per cents were sold as low as 51, having fallen to that from 98, at which they stood at the commencement of the contest. Petitions for a change of ministers and an alteration of government were presented from almost every city of note in the empire; and that general distrust and depression prevailed, which is at once the cause and effect of public misfortune.—ALISON'S *Europe*.

was a pressing one. The position of the directors was most responsible. The well-being of the commercial state was at issue. The drain of cash continued, and the dwindling coffers were difficult to replenish. In March, 1796, the stock of bullion was £2,972,000. By June it had fallen to £2,582,000. In September it lowered to £2,532,000. In December it was £2,508,000, and on 25th February, 1797, it had fallen to £1,272,000.

Thus diminished and diminishing, the directors had but one course to pursue. The government, which had reduced their means, was alone capable of supplying a remedy. The chancellor of the exchequer was, therefore, made acquainted with their present position, and with their fears for the future; and to his judgment was left the proposal of a plan to obviate the evil. It does not appear that any proposition was made by the bank directors, but that their danger was simply placed before him. On the 24th of February, the deputy-governor, with one of the directors, waited on him, to ask how long the bank might venture to pay cash before he would think it necessary to interfere. Mr. PITT replied, that it was a matter of great importance, and that he must be prepared with some resolution to bring before the council, for a proclamation to stop cash payments at the bank. At the same time, he added, it would be necessary to appoint a committee of inquiry into their affairs. No objection was offered to this proposition. On the contrary, it was intimated that every assistance would be rendered.

In addition to foreign force, domestic treachery was justifiably feared. Corresponding societies, Friends of the People, and Jacobin societies, were spreading a poison and a pestilence through the minds of the nation. It was well known that a number of discontented men would gladly hail the appearance of a French fleet off the English coast. Ireland was approaching an open insurrection. Disaffection had seized upon our seamen. The Nore witnessed an open mutiny. The only defence from invasion appeared to fail the country, and men knew not where the evil would pause, or how far the seeds of treason were spread, when that navy, which was familiarly and affectionately termed "the wooden walls of old England," forsook the nation in its dark and perilous hour.

The fireside of the yeoman heard these things, and a vague oppressive terror agitated the beautiful homesteads of England. The difficulties of the great London bank, the dissatisfaction of the metropolis, the fear of invasion, the disaffection at the Nore, were exaggerated in journals and reported in villages, and a feverish desire to hoard manifested itself. The small tradesman took his notes to the banker, and kept the specie in his house, until the aspect of the times was determined. The cottager heard the report, caught the infection, and followed the example. The country banker grew anxious, and sent for gold, rather in proportion to his fears than his necessities. The London banker applied to the Bank of England upon the same principle, and thus the gold of the corporation became unnecessarily decreased. The inhabitants of the remote parts of the empire are always prone to needless alarm. Their information is more vague, their judgment less cultivated; they are more easily acted on by reports than the dwellers in large cities; and thus a great portion of the notes were presented through the groundless fears of an ignorant impulse.

CHAPTER XIII.

ORDER IN COUNCIL—SUSPENSION OF CASH PAYMENTS—MEETING OF THE MERCHANTS—
PARLIAMENTARY DEBATES—ISSUE OF DOLLARS—ENLARGED DISCOUNTS REQUIRED—
THE RESTRICTION ACT PASSED—ISSUE OF ONE AND TWO POUND NOTES—BANK OF
FRANCE—THE REST—RENEWAL OF THE CHARTER—OPINION OF MR. PITT AND
OTHER MINISTERS.

THE evening of Saturday, the 24th February, 1797, was a gloomy period for most of the merchants and traders of London. More than all must the directors of the bank have felt their important and responsible position. They had seen during the week a heavy demand made on their diminished cash. They had marked their small stock of bullion decreasing day after day. They had witnessed and participated in the dismay which preyed upon the people. They knew that the demand would continue unless some method could be adopted to check it; and they felt that the period had arrived when, for the first time in their history, they must altogether cease payment of their notes; for the first time since 1697 they must fail in meeting the demands of their creditors. On the following day, Sunday, a cabinet council was held at Whitehall; and it is said that the only occasion on which the monarch violated the Sabbath was this great one. He attended the council at this important crisis; and the presence of royalty gave a high sanction to the proceedings. Immediately after the meeting, the members of the government met the governor, deputy-governor, Mr. THORNTON and Mr. BOSANQUET, in Downing-street, to inform them of the result of their deliberation, when the following resolution was communicated:

“At the Council Chamber, Whitehall, Feb. 26, 1797.

“By the lords of his majesty’s most honorable privy council.

“Upon the representation of the chancellor of the exchequer, stating that, from the result of the information which he has received, and the inquiries which it has been his duty to make, respecting the effect of the unusual demands for specie that have been made upon the metropolis, in consequence of ill-founded or exaggerated alarms in different parts of the country, it appears that unless some measure is immediately taken, there may be reason to apprehend a want of sufficient supply of cash to answer the exigencies of the public service, it is the unanimous opinion of the board, that it is indispensably necessary for the public service that the directors of the Bank of England should forbear issuing any cash in payment until the sense of Parliament can be taken on that subject, and the proper measures adopted thereupon for maintaining the means of circulation, and supporting the public and commercial credit of the kingdom at this important conjuncture. And it is ordered, that a copy of this minute be transmitted to the directors of the Bank of England; and they are hereby required, on the grounds of the exigency of the case, to conform thereto, until the sense of Parliament can be taken, as aforesaid.”

On Monday morning, the 27th of February, at the earliest period of commencing business, the office was crowded. Bullion was vociferously demanded. The notes of the bank were eagerly proffered in exchange for gold. The notice of the previous day was placed conspicuously in the hall; but men will not easily see that to which it is their interest to be blind. Officers were in waiting to repress any indecent ebullition of feeling. Copies of the order in council were distributed, and the announcement of the suspension of specie payments passed off as quietly as its nature would allow. To pacify the natural alarm, the following notice was freely circulated, and advertised in all the daily papers :

“ Bank of England, February 27th, 1797.

“ The governor, deputy-governor and directors of the Bank of England think it their duty to inform the proprietors of bank stock, as well as the public at large, that the general concerns of the bank are in the most affluent and prosperous situation, and such as to preclude every doubt as to the security of its notes. The directors mean to continue their usual discounts for the accommodation of the commercial interest, paying the amount in bank notes, and the dividend warrants will be paid in the same manner.”

The rumor that the bank had stopped payment spread throughout London. Those persons who were unacquainted with business looked upon it as tending to universal ruin. The better informed saw the importance of the proceeding, and, with them, there was every effort made to support the credit of the corporation.

Notwithstanding the terror which possessed the less instructed portion of the community; notwithstanding the severe language which Mr. Fox used in the House, when he said that “ the measure had destroyed the credit of the bank;” that, for the “ first time since the revolution, an act was done which struck at the foundation of the public credit, by seizing the money belonging to individuals;” notwithstanding his triumphant question of “ What can restore that public credit?” it appeared as if, now that the blow was struck, a feeling of security was produced, which the mercantile community had long required. For, notwithstanding these things; notwithstanding even the oratory of Mr. SHERIDAN, of which the chancellor of the exchequer remarked, “ it would be atrocious arrogance in him to attempt to answer what it would be unpardonable arrogance to attempt to understand;” a great authority of that day, Mr. HENRY THORNTON, said, before a committee of the House of Commons, “ I conceive the distress, for some time preceding, and especially for two days before, to have been so great, that the relief given by the discounts on the Monday more than compensated, in the minds of most of the mercantile world, for any alarm occasioned by the stoppage.” Throughout the evidence of this gentleman, the conviction that the bank should have increased its circulation, instead of diminishing it, was constantly expressed. The question yet remains unsettled. On the day succeeding the suspension, the discounts were augmented, and the feeling of security, which has already been mentioned, confirms the opinion of Mr. THORNTON.

A meeting of the merchants was promptly called, and, on the 27th of

February, they proved their desire to support the credit of the bank, by voting the following :

“ *Resolved, unanimously,* That we, the undersigned, being highly sensible how necessary the preservation is of public credit at this time, do most readily hereby declare, that we will not refuse to receive bank notes in payment of any sum of money to be paid to us, and we will use our utmost endeavors to make all our payments in the same manner.”

The “ *Gentleman’s Magazine,*” speaking of the above, says, “ We never remember to have witnessed a more loyal meeting ;” four thousand of the best names in the city were soon attached to this resolution. On the following day a paper, nearly similar, which was published by the lords of the privy council, tended greatly to relieve the public mind, and confidence, to some extent, was restored.

On the 25th of February the discounts were reduced to one-fourth of the sum at which they stood in the beginning of the year, and the decreased accommodation of the bank compelled a similar decrease in the discounts of the private banker. This joint restriction, at the very crisis when an increase was desirable, tended to augment, if not to produce, the demand for cash. The advances made to Mr. PITT were specially asserted by the governor to have originated the embarrassments. The voluminous correspondence, which has been abridged, amply proves that it was of the utmost importance for the bank directors to be relieved from the incessant claims of the chancellor ; the urgent tone of their letters, and the earnest appeals of their personal representatives, are only to be equalled by the demands of Mr. PITT. But the energy of his applications to the loyalty of the directors almost demonstrates that the continuance of their advances was imperatively required for the safety of the commonwealth. Many of the practical men, besides Mr. THORNTON, summoned before the committee of the House of Commons, considered the great diminution of discounts as the cause of the run upon gold, and thus, indirectly, blamed the policy of the bank. It must be remembered that the directors were in a critical position. An embarrassed government urged them to make advances for the safety of the country. Extensive mercantile operations demanded extensive discounts. To meet both demands was, in their opinion, imprudent. Every reason which could operate tended to the former. The extracts from the correspondence with the chancellor of the exchequer prove that it was no servile wish to court a powerful friend, but a positive necessity, wrung from them by the pressure of the application.

In the evidence before the secret committee, Mr. WALTER BOYD says : “ I attribute the drain chiefly to that line of conduct which, I believe, the directors of the bank have pursued since the month of December, 1795, when they announced to the public, by an advertisement, certain changes in the quantity and manner of conducting their business of discount.” “ The diminution of discounts has diminished the powers of commercial houses, and diminished the value of public securities.” Mr. HENRY THORNTON remarked, “ It was the want of bank notes, and not of guineas, that had been felt, and no anxiety seemed to be entertained in the city, if bank notes were brought into circulation, respecting the manner of con-

triving to effect the smaller payments." On another occasion this gentleman expressed his conviction that, if the quantity of bank notes had remained as they were, or without any material alteration, the inconvenience would have resulted, though in a less degree, as the increased transactions of commerce required an increased circulation. This gentleman also stated that an enlarged number of notes, proportioned to the occasion for them, would prevent a demand for guineas; but if fewer notes were issued than the mercantile world required, it would occasion a demand for gold. The measure had now to be justified and reported to the House of Commons.

On the evening of the day that this announcement was issued to the public, Mr. PITT brought down a message from his majesty, to the "experienced wisdom and firmness of his Parliament." At the same time he announced his conviction that the resources of the bank were most abundant, and proposed, as an aid to public faith, to give the security of the State to its engagements. The rhetoric of Mr. Fox, and the oratory of Mr. SHERIDAN, were employed to reprobate the course of the ministry: but rhetoric and oratory are feeble assailants when truth and justice are opposed to them. On the following day the message was taken into consideration, and a motion carried for a committee to ascertain the affairs of the company. Mr. Fox again attacked the policy of Mr. PITT with vehement eloquence, and in the same speech gave due credit to the conduct and importance of the bank. He added: "The effect of this measure I will not describe by saying that it has impaired—that is but a weak word—it has destroyed the credit of the bank." "For the first time since the Revolution an act has been done in the king's name which has struck at the foundation of the public credit, by seizing the public money, belonging to individuals, deposited in the public treasury of the public creditor." No time was lost by the committee; and on the 3d of March they reported "that the total amount of demands on the bank, on the 25th February, was £13,770,390, and that the total amount of funds (not including £11,686,800 due from government) was £17,597,280; leaving a surplus of £3,826,890, exclusive of the government debt."

The necessity of an issue of notes under £5 being greatly felt by the commercial interest, an act was passed by the 3d of March, authorizing it; and by the 10th of the same month notes for £1 and £2 were ready for delivery. The country bankers also circulated notes under £5, owing to the repeal of the act passed in 1777.

The report of the secret committee had satisfied the minds of the most doubtful, but among the less informed branches of the community great uneasiness continued. Some anxiety was, therefore, relieved when the following, bearing date the 6th of March, appeared: "In order to accommodate the public with a further supply of coin for small payments, a quantity of dollars, which have been supplied by the bank, and stamped at the mint, are now ready to be issued at the bank, at the price of 4s. 6d. per dollar, and a further quantity is preparing."

A discovery was made, however, in time to prevent the issue. It was found that 4s. 6d. would be 2d. under their value in the market as bullion; and this great error was rectified by the following notice on the

9th of March: "In consequence of its appearing to be the general opinion that the dollars will be more conveniently circulated at the rate of 4s. 9d. than at that of 4s. 6d., notice is hereby given, that dollars are now ready to be delivered at 4s. 9d. per dollar." The dollars were Spanish, and bore a small king's head stamped on the Spanish king's neck.

The debates in the senate attracted attention; and the public mind, ready to start at shadows, was depressed by the language of the opposition. The enemies of the ministry had sought to depreciate the value of bank paper; the announcement, therefore, that dollars would be issued in exchange, created great satisfaction to the holders of notes. On the first morning appointed for their delivery the office was crowded with applicants; the cashiers saw the public several deep waiting for dollars; the usual striving and struggling which, to the present day, distinguishes the claim for cash, was acted, and many had to wait some hours before they could be supplied. The knowledge that the bank was filled with claimants increased the alarm of others. The following days witnessed the same scene; but, as there appeared no hesitation in supplying all the applications, and as there seemed no want of the metal, the claims soon abated.

The report of the committee gradually produced its proper effect; and the call for dollars decreased every day. In less than a month the demand was measured by the wants and not the fears of the people; and on the 31st of October, 1797, these dollars, of which 2,325,099 had been issued in eight months, were called in. Since their circulation a large number had been imported into the country, and stamped in resemblance of those sent from the mint. When the latter were paid in it was almost impossible to distinguish the true from the false; and after some vain and futile attempts to do so, the bank were compelled to receive, without discrimination, all stamped dollars at 4s. 9d.

Notwithstanding the increased accommodation granted to the mercantile interest on the 27th of February, and stated by Mr. THORNTON to have more than balanced the distrust occasioned by the cessation of payments in specie, it appears to have been generally considered that the increased amount of business demanded enlarged discounts. A meeting, therefore, at which the principal merchants attended, took place at the London Tavern. Mr. ALDERMAN LUSHINGTON presided, and some resolutions, of which the following are the heads, were agreed to: "That the accommodation afforded by the Bank of England, in discount of bills and notes, is inadequate to the present extended commerce of the country." "That without an extension of the circulating medium of the kingdom, by discount of mercantile bills and notes, the general commerce of the country will be exposed to the most serious, immediate and alarming evil." "That the recent mark of confidence reposed in the Bank of England by the respectable association for receiving their notes, notwithstanding the order of council of 26th February, has given the merchants and traders a fair claim to reasonable and necessary accommodation."

On the 24th March another meeting was held, at which it was resolved, "That in the opinion of this meeting, the capital employed in the export and import trade of Great Britain has amounted, on an average of the last six years, to forty-five millions per annum; and that there is always two months' supply of this merchandise in the custody of the merchants

and traders, and that a discount accommodation to such proportion may be afforded without risk, backed by this security." These resolutions were forwarded to the directors of the bank; but the reply was not considered satisfactory. On the following week a third meeting was held, at which it was resolved, "That though well satisfied with the sentiments expressed by the bank, they considered that the practice of discounts should be extended upon the scale mentioned at the previous meeting."

The reply of the bank directors to these resolutions was to the effect that they declined pledging themselves to any specific sum; that though they were perfectly apprised of the larger discounts required by the trade of the country, it would be impossible to meet the views expressed in the resolutions until government had paid off a considerable portion of the debt due to them. But should this occur, they would have a greater latitude, and feel strongly inclined to avail themselves of it in favor of the merchants.

On the 3d of May, notwithstanding the great opposition made, and the blame thrown on government, "The Bank Restriction Act" was passed. This, which is the 37th GEORGE III., is entitled "An act for continuing for a limited time the restriction contained in the minute of council of 26th of February, 1797." By it the bank directors were not permitted to issue cash except for sums under twenty shillings. But if any person lodged specie in the bank, he might be repaid to the extent of three-fourths of the sum lodged, if it exceeded £500. The directors were also allowed to advance to the bankers any sum not exceeding altogether £100,000. They were also permitted to lend £25,000 each to the bank and Royal Bank of Scotland. The act was only to remain in force till the 24th of June. On the 22d of that month, however, another was passed, continuing the restriction of cash payments until one month after the commencement of the following session; and in November a third act was passed, limiting it to the somewhat indefinite period of six months after the conclusion of the war.

On the 17th of November, a report from the committee of secrecy was ordered to be printed, of which the following is an abstract. The total amount of outstanding demands on the bank on the 11th of November, was £17,578,910, while the funds for discharging the same, (not including £11,686,800 due from government,) was £21,418,460. The bankers and traders, who might have claimed three-fourths of their deposits in cash, had only demanded one-sixteenth. Notwithstanding, however, all these favorable circumstances, the committee concluded by saying, "they were led to think it would be expedient to continue the restriction," from the political circumstances of the period.

The last act was deemed politic by the government; but a court of proprietors was held in the same month; and Mr. RAIKES, after saying, that by the report of the secret committee, there was a net balance in favor of the bank, exclusive of the government stock of £3,839,000, added, that the bank was in so affluent a state as to be ready to pay all the demands on it in specie whenever called upon. The consent of the proprietors was also asked for advancing the amount on the land and malt tax of £2,750,000, which was unanimously agreed to.

By the act passed in November, the power of paying in cash was

taken from the hands of the directors. The ministers, viewing it principally in a political light, and regarding the war, which was then furiously raging, as one which was almost as doubtful as it was determined, adopted the policy, which, whatever its faults, led to, if it did not produce, some of the finest results which ever inspired the pen of the historian. Let it be remembered that, during the whole of the time, prohibitory of cash payments, we were waging a fierce but eminently triumphant contest with a memorable spirit and with a memorable man. The spirit was that of the French revolution; the man was NAPOLEON BONAPARTE. Let us remember, also, that during the existence of that system, which has been so much censured, we were alone in the contest with him, whose name was for many years synonymous with success. The thunders of the Vatican were silenced. The military pride of Prussia was humbled. The power of Austria lay prostrate at his feet. Russia embraced the universal conqueror. England stood alone in her resolute defiance. She strengthened the weak and encouraged the wavering. Wherever the free spirit of a people arose, her gold gave strength to their arms; her wisdom enlightened their councils. Her navy swept the seas, and crippled the commerce of her adversary. And when her unconquerable resolution once more stirred the prostrate powers of Europe—when, through her exertions, “the little island of St. Helena confined him, for whom a world was once too small,” the law passed in 1797 was in active existence. These things are not written to defend; they are only penned to mitigate the wrath which has been poured upon the bank restriction act. Extraordinary events require extraordinary measures, and our history from 1797 to 1815 is unsurpassed in the annals of nations.

The haste with which the one and two pound notes had been executed, together with the ease with which they were received by the public, produced extensive forgeries. In January, 1799, the bank advertised that all notes of the above amount, dated before July, 1798, might be received in cash, or exchanged for new notes, and that all odd sums not exceeding £5, might be received in specie. The first fruits of the restriction on cash payments occurred this year, as the proprietary received a bonus of ten per cent. on their capital in five per cents, 1797.

It is curious, and sometimes not uninteresting, to notice in what manner other establishments have acted under similar circumstances. In January, 1814, the national bank of France experienced a demand for bullion. The star of NAPOLEON was on the wane; the climate of Russia had destroyed the confidence in his success. He was engaged in a desperate strife with those he had so often subdued; and the conviction was felt that the glory had departed from him. The holders of the notes of the French bank, uncertain how far a change of dynasty might affect them, went eagerly to require payment in gold, until £600,000 only remained. With the sanction of the emperor, the bank determined not to pay more than £20,000 a day; and to effect this, the prefect of police announced that no one might apply for gold unless he should be the bearer of a number, to be supplied him by the mayor of his quarter.

It has already been seen that the government were constantly pressed for money, and in 1798 an act was passed to legalize voluntary contributions for carrying on the war. Merchants and manufacturers vied with

each other in subscribing. A temporary office was erected under the east piazza of the Royal Exchange to receive contributions. The Bank of England offered £200,000; the city of London gave £10,000. The place was filled with all classes and conditions, eagerly crowding to contribute. £300,000 were remitted from India, with the promise of a similar annual repetition during the war; and upwards of two millions, exclusive of this sum, were contributed to support the dignity of the empire against the aggressions of the enemy.

The question of preserving the rest* was disputed in 1798, by a portion of the proprietors. The maintenance of a reserved capital has been argued in another place, and time has tested its wisdom. A strenuous exertion was, however, made by Mr. ALLARDYCE, who published a quarto volume, and called courts of proprietors to his aid, to compel the division of this fund. The question is a simple one; and as the proprietor derives part of his half-yearly interest from the reserved capital, while the value of the stock is in some proportion to it, he has no just cause of complaint. Should such a proposal ever be carried out, the price of the stock would be deteriorated, and the dividends would vacillate as they did a century and a half ago. A great fraud like that of ASTLETT, or a series of colossal forgeries like FAUNTLEROY'S, might engross the whole of the half year's profits, and send the proprietors from their half-yearly meeting discontented and without a dividend.

The reasons which actuated Mr. SAMUEL THORNTON, then governor, and the court of directors, to moot the renewal of the charter at so early a period as 1800, when it had twelve years to run, are to be found in the acknowledgment that they considered it a favorable moment, because ministers, pressed by the expenses of the war, were disposed to accept terms which, under more favorable auspices, would be rejected. For more than a hundred years the name of THORNTON appears in the list of the direction, and the house of THORNTON constantly occupied an important mercantile position. During the governorship, therefore, of such a man, with whom the capacity of direction was almost hereditary, there was

* Or balance of undivided profits.

† The widest and most comprehensive experience shows, that no set of men have ever been invested with the power of making unrestricted issues of paper money without abusing it; or, which is the same thing, without issuing it in inordinate quantities. Should the power to supply the State with paper money be vested in the managers of a private banking company, then to suppose that they should, by limiting their issues, endeavor constantly to sustain the value of their paper, would really be to suppose that they should be extremely attentive to the public interests, and extremely inattentive to their own.

It is quite certain, that the re-enactment of the restriction on cash payments by the Bank of England, and the rendering of it perpetual, would not have the least effect on the value of our paper currency, provided its quantity was not at the same time increased. * * * In this quarter of the world we are much too eager, in the pursuit of fortune, to be in any degree affected by such scruples. It is indispensable, therefore, that the issuers of paper money should be placed under some efficient check or control; and the comparative steadiness of the value of the precious metals at once suggests, that no check can be so effectual as to subject the issuers of paper money to the obligation of exchanging their notes, at the pleasure of the holder, for a *given and unvarying quantity*, either of gold or silver.—*Edinburgh Review*, 1825, p. 266.

every chance of the bank receiving its due proportion of justice from the government. The period also was propitious. The services rendered by the bank to the State had been so important that Mr. PITT, in all his pride of place, was compelled to acknowledge their necessity. They were so recent that they could not be forgotten. The ministry to which they had been rendered were still in power, and still compelled to seek assistance; and, to crown all, the undeniable fact that the bank had stopped payment through its endeavors to aid government, was in the remembrance of every one. These, then, were claims to a just consideration, the remembrance of which was calculated to lead to a fair and favorable result. The reasons assigned by Mr. THORNTON, in the House of Commons, were to the following effect: That the first overtures had come from the governor and directors, because they were convinced that a renewal at such a period would prove of utility to the bank and the country. A motion had been made for the establishment of a rival bank. Meetings had been held; endeavors had been made; pamphlets had been written in its support; and the renewal of the charter would be the most effectual check to so idle a measure.

But no considerations have ever prevented a ministry from making a good bargain with a bank. It has grown into a habit, and custom is too often a cloak for injustice. In 1708, when the charter was renewed for twenty-two years, the renewal was paid for with a loan of £400,000, without interest, and the cancelling of a million and a half of exchequer bills. In 1713, when found expedient to extend it for a further ten years, the bank undertook, in return, to circulate nearly a million and a quarter more of these bills. In 1742, on a renewal of twenty-two years, £1,600,000 were lent, without interest, in perpetuity. The year 1764 witnessed an equal exertion of the screw, and, for a further extension of a similar period, £110,000 were paid, and one million lent to government. In 1781 a loan of two millions for three years was claimed for the same service. That statesmen regarded these agreements with the eyes of traders, is evident, from a remark of Mr. GRENVILLE, that "he thought the last-named contract a good bargain for the nation." But is this the light in which such matters should be regarded? Is it worthy a great nation to fly to a corporate body in the hour of need, and, when met honorably and liberally with the requisite supplies, to turn around and bargain like a miser with its benefactor? Is it befitting the character of a great statesman to make a company pay a tax for their charter, and then, in the time of panic and peril, demand increased assistance, which carries danger and distress with it? The government either have no right to claim payment for the privileges they grant, or they have no right peremptorily to demand further assistance. It has been already seen that Mr. MONTAGUE and Lord GODOLPHIN were decidedly of opinion, "that no fine ought to be expected for a renewal." This is the principle they propounded; but this is not the principle upon which their successors have acted.*

* *War and Suspension of Payment.*—Mr. J. W. GILBERT, in his testimony before Sir ROBERT PEEL, in 1843, being cross-questioned on this ticklish topic, gave the following veritable and manly explanation: "If I were prime-minister, I would imme-

For the renewal of the charter, in 1800, the bank proposed to lend three millions for six years, without interest—a right being reserved to them of claiming re-payment at any time before the expiration of six years, if consols should be at or above eighty per cent. In the event of such re-payment, they were to allow six per cent. per annum on the sum re-paid, for such part of the six years as might remain. This proposal was deemed liberal by Mr. PITT, who considered the profits to amount to six or seven hundred thousand pounds “on dry calculation,” and not the actual gain, which would probably be much more. In return for this payment, Mr. PITT expressly enumerated, among the advantages to be enjoyed, and for which they made the government a remuneration, that of holding the public balances in their possession. This minister stated that “the public had derived great assistance by the aid of the bank, and would do so again under any similar pressure.” Such was the opinion of WILLIAM PITT—such was the persuasion of Lord NORTH—such was the declaration of Mr. GRENVILLE—at the renewal of each successive charter. Yet, at each period, a heavy sum has been claimed; and, in the present instance, six or seven hundred thousand pounds were paid by the proprietors of the Bank of England for the privilege of benefiting the people of Great Britain; and it will be seen, at a later period, that the State made a further claim upon the bank many years before the charter had expired.*

diately, on the commencement of war, issue an order in council for the bank to stop payment. I stated, also, that I spoke as a politician, not as a banker. The only war that has occurred, in my memory, is the war of twenty years with France; that is the war to which I referred. Now, under such a war as that, it appeared to me that a suspension of payments would be advisable. I recollect, some time ago, investigating the circumstances attending the suspension of 1797. I came to the conclusion that, under the circumstances, a suspension of cash payments was not a matter of *choice, but of necessity*. That is the opinion at which I arrived, after a careful investigation of the circumstances.”

* The leading financial and commercial features of the half century, ending with this period, (1800,) were as follows:

1751.—An act of Parliament (1751, 24 GEORGE II.) orders the Gregorian (or new) style to be used in Great Britain. Canal from Stockholm to Gottenburg finished. Treaty of commerce between England and Spain. 1753.—Two thousand bales of cotton exported by Jamaica. 1754.—Commencement of war between England and France, and military operations under WASHINGTON, in Virginia, &c. 1756.—Playing cards, in England, first paid a stamp duty. 1757.—The manufacture of brocade was established at Lyons. 1758.—New taxes levied on houses and windows in England. 1759.—The Bank of England issued £15 and £10 notes, 31st March. Thread and gauze manufactures begun at Paisley. First improvement of the stocking-loom. 1760.—Culture of silk commenced in Connecticut. Conquest of Canada from the French, by the English.

1761—1770.—Opening of the Duke of BRIDGEWATER'S Canal, (1761,) between Manchester and Liverpool. The Royal Exchange, Edinburgh, finished. ARKWRIGHT'S first patented spinning-frame. 1762.—The Island of Cuba surrendered to Lord ALBEMARLE and Admiral POCOCKE. Martinique, St. Lucia, St. Vincent and other islands taken from the French. 1763.—Commercial crisis in Amsterdam and Hamburg. 1764.—First improvement of steam-engine, by WATT. Bank of England charter renewed. 1765.—Stamp Act for America passed by the British Parliament, 22d March. Bank of Berlin established. 1766.—American Stamp Act repealed. 1767.—The House of Commons resolved to impose duties on various articles imported into America. 1768.—Art of bleaching introduced into England,

from Holland. 1769.—Failure of the French East India Company, followed by commercial distress in France. 1770.—Botany Bay discovered by Captain Cook.

1771—1780.—ARKWRIGHT's second patent (1771) for his improvement in cotton spinning. Manufacture of calico begun in Lancashire. Return of Captain Cook, June 12. Culture of silk commenced in Pennsylvania. 1772.—Bridgewater Canal passage boats established. LLOYD's Coffee-House established. Commercial panic in London, caused by the failure of NEALE, FORDYCE & Co., bankers. 1773.—Tea destroyed in Boston harbor, 16th November. The governor of Bengal made governor of all the British settlements in India. Exportation of cotton machinery from England prohibited. British Cast Plate Glass Company chartered in England. 1774.—The petition of the Massachusetts Assembly to Parliament, presented (January) by Dr. FRANKLIN, who was then removed from the office of deputy postmaster-general for the colonies. BURKE's celebrated speech on the tea tax, April 19. 1774.—WATT, in partnership with BOULTON, founds his steam-engine establishment at Soho. Stamp duties introduced into Ireland. Bromberg Canal, uniting the Oder and the Vistula, finished. 1776.—Captain Cook sailed on his third voyage. 1777.—Dr. DODD executed for forgery. The Mont de Piété, Paris, established. 1778.—Cutlery manufactured extensively at Sheffield. 1780.—Charter of the first Bank of North America, approved by Congress 26th May. English lottery granted to raise £12,000,000. Exportation of woollen goods from Ireland first permitted.

1781.—Bank of England charter renewed, on making further advances to government of £3,000,000. East India Company's charter renewed. NEXKER published his financial statement for France, 1781, and retired from office. 1782.—National Bank of Ireland established. 1783.—Charter granted to the Bank of Ireland. 1784.—The Bank of New-York chartered, 9th June. Mail coaches first established in England. Taxes on saddle and coach horses first imposed, and tax on hats, in England. 1785.—Opening of the canal between the Baltic and the Northern Ocean. 1786.—British treaty of commerce with France. Bank of St. Petersburg established. 1787.—“Pennysylvania Society for the encouragement of Manufactures and the Useful Arts,” formed. Cotton exported by West India Islands. 1788.—Formation of the African Association. 1789.—Issue of assignats in France, 17th December. Canal between the Thames and Severn. 1790.—The first life-boat launched in England, at South Shields. Nails first made by machinery.

1791.—The first Bank of the United States chartered; capital, \$10,000,000. VANCOUVER's voyage of discovery. The buckle-makers of Birmingham petitioned Parliament against the use of shoe-strings. Numerous riots at Birmingham. 1793.—An income tax proposed in England, but abandoned. Commercial embarrassments in England. Five pound notes first issued by the Bank of England. The first ambassador from Turkey arrived in London, December 20. WHITNEY's cotton-gin invented and first used. 1794.—Treaty of commerce between England and the United States. 1795.—Embargo on all Dutch ships in English ports, 26th January. WARREN HASTINGS acquitted, 23d April. Forced loan of 600,000,000 francs in France. Mandates substituted for assignats. 1796.—Note and bill stamps increased in England. Tax imposed on bachelors. Loyalty loan of £18,000,000. 1797.—Suspension of the Bank of England, 26th February. Notes of £1 and £2 first issued, March 11. A Frugality Bank proposed by JEREMY BENTHAM. 1798.—Silver tokens issued by the Bank of England, 1st January. 1799.—Sugar first extracted from beet-root, by the Prussian chemist, ACHARD. 1800.—General distress and riots in England, caused by the high price of bread, January. Dispute respecting the close of the century. LALANDE decided that 31st December, 1800, is the last day of the eighteenth century. Union of Great Britain and Ireland, 2d July. Bank of England charter renewed until 1833. Stock Exchange, Capel Court, commenced. Armed neutrality of Northern powers.

CHAPTER XIV.

INCREASE OF FORGERY—BONUS ON BANK STOCK—ADDITION TO THE INCOME OF THE CLERKS—TRUCE OF AMIENS—CONTINUANCE OF THE RESTRICTION OF CASH PAYMENTS—FRAUD OF ROBERT ASTLETT—RENEWAL OF THE WAR—ISSUE OF DOLLARS—BERLIN DECREES—FINANCE COMMITTEE—ITS RESULT—ABRAHAM NEWLAND—FORGERIES.

THE circulation of £1 notes proved conducive to a melancholy waste of human life.* Considering the advances made in the mechanical arts, they were rough and even rude in their execution. Easily imitated, they were also easily circulated; and from 1797 the executions for forgery augmented to an extent which bore no proportion to any other class of crime. During six years prior to their issue there was but one capital conviction; during the four following years eighty-five occurred. This great increase produced inquiry, which resulted in an act "For the better prevention of the forgery of the notes and bills of exchange of persons carrying on the business of bankers." By this, some stringent penalties were denounced against offenders; and a notice to the following effect was published in September, 1801: "All the one and two pound notes issued by the Bank of England, on and after the 1st of August, will, to prevent forgeries, be printed on a peculiar and purposely constructed paper; consequently, those dated 31st July, or any subsequent day, will be impressed upon paper manufacture, with waved or curved lines."

It will be seen, at a later period, that this endeavor to repress crime fell sadly short of the necessity, owing to the great truth which now begins to possess the minds of our legislature, that punishment is not a sufficient preventive; but that to teach men to be good is more effectual than to punish them for being bad. The extinction of human life continued. The English criminal laws, those laws which were said to be written in blood, and which were the remains of the old feudal spirit that disregarded the life of the serf, at first found supporters among the class which suffered from the evil. So long as the law was left to take its

* This is largely discussed in the *Edinburgh Review*, of 1818, which says: "The year 1798 opened a new scene. The act for authorizing the Bank of England to stop payment, passed in 1797; and another act was passed in the same year, the necessary consequence of the former, but still more directly applicable to our present purpose, to enable the bank to issue notes under the value of five pounds. The number of those who suffered death for the forgery of bank notes in 1798, and the two succeeding years, was twice or thrice as great as that of all who had suffered for the same offence for fifty years before the suspension. From a return of "nil" in the eight years before 1797, we suddenly pass to a return of a hundred and forty-six capital executions for this offence, in the eight years which followed that unfortunate year. From three executions in the fourteen years before the suspension, the number becomes two hundred and nine in the fourteen years after it. In the last twenty-one years of cash payments there were five or six executions for forgery. In the twenty-one which we have passed, under the destroying power of compulsory paper, three hundred and thirteen persons have suffered death for counterfeiting bank notes."—*Edinburgh Review*, 1818, p. 209.

course, and no voice was heard, save that of the victim, the justice which hung a man for a one pound note was unquestioned; while those who read in the daily press of the punishment of the offenders, rejoiced in it as an evidence of increasing civilization, and thanked heaven, as they sat down to their well-stored tables, that they had been preserved from so great a crime. Nor was it for a long period after that of which we write that the eyes of men were opened alike to the sinfulness and inutility of capital punishments.*

A second bonus was made in 1801 to the proprietors of bank stock, who received £5 per cent. upon the capital, in navy five per cents. To the artisan and to the stipendiary it was a time of much distress. By the latter a period of scarcity is, perhaps, most keenly felt, from the necessity of supporting an appearance in keeping with his position, and from the dangerous ease with which he can procure credit. A magazine of this year says, "of all the modes of relief, that which was adopted by the bank directors, in their conduct towards their servants, is entitled to the highest praise, and furnishes an example every way worthy of imitation. They made a very liberal addition to the salaries of their numerous clerks and other servants.

In the year 1802, a peace, which, unhappily, proved only temporary, known by the name of the "Peace of Amiens," was concluded. The war, which had deprived England of the blood of some of her bravest citizens, and reduced the national treasury to the verge of bankruptcy, was supposed to be over. The empire once more saw a prospect of the enjoyment of peace; and men, tired with "war and rumors of war," sick at heart of the announcements of great battles won and lost, and more than all, dissatisfied at the rapid increase of taxes which accompanied laurels by land and supremacy by sea, began to think that a cessation from so costly a game would be agreeable. Though gilded by many victories; though triumphant in Egypt; and though the battle of the Nile had spread a rejoicing throughout the land, England had witnessed too many reverses not to hail any thing like peace with gladness. On the continent

* Frightful contrasts multiply at every change of our point of view. Four prosecutions for forgery by the Bank of England are to be found from 1783 to 1797. In the equal period from 1797 to 1811, the number is four hundred and sixty-nine. They were multiplied more than a hundred fold. Well might the preamble of a statute, passed in 1801, recite, that "The forgery of bank notes has of late increased very much in this kingdom," but the preamble does not confess the whole truth. Even at that time it was not an offence increased, but an offence created. One fatal measure of State had, even then, caused more blood to flow for forgery in three years than had been shed in England for that offence during fifty years before. Perhaps no civilized government has, by one act, given so dreadful a wound to the morality of a people. The visible connection between the issue of small notes and the effusion of blood, is one of the most frightful parts of this case. Before 1797, the bank could issue no notes under £5. In 1802, the average number of notes under that value was about three millions and a half. In the former period there were no capital executions; in the latter, one hundred and sixteen occurred in four years. In 1817, there were 30,000 forged notes stopped at the bank of £1 and £2; nine hundred of £5; fifty of £10, and two of £20. The whole crime is in truth imputable to the small notes. The forgery of the larger we are authorized, by the experience of the former period, entirely to ascribe to the habits of criminality which originated in the temptation of small notes.—*Edinburgh Review*, Vol. xxxi., 1818.

NAPOLEON had been every where successful; and when the preliminaries were ratified on 10th October, 1801, the most enthusiastic tokens of delight were exhibited throughout England.

By the act of November, 1797, the payment of cash was restricted to within six months after the conclusion of the war. It became, therefore, necessary in April, 1802, to increase this limit. The reasons assigned by Mr. ADDINGTON, in the House of Commons, were, "that it would be inexpedient to increase the circulation of guineas, as the exchange was against this country, and for several months guineas had been purchased with a view to exportation. For three or four years the credit of the bank had undergone no diminution. Bank notes were received cheerfully and readily; and when the bank was allowed to call in notes of £1 and £2 to the amount of £800,000, only £400,000 were claimed in specie. The motion was opposed on the ground that the very mention of it was a word of terror, and that since the restriction in 1797, the forgeries of bank notes had increased so alarmingly as to require seventy additional clerks to be employed merely in detecting them; that within that very year no less than thirty or forty persons had been executed for the crime. To this it was replied, that in Liverpool bank paper was preferred to cash; that the credit of the bank had increased, and that no petitions had appeared against it." The motion was carried, and the bank restricted from paying cash before 1st March, 1803.

The first instance of fraud, in the present century, to a great amount, was perpetrated by one of the confidential servants of the corporation. In the year 1803, Mr. BISH, a member of the stock exchange, was applied to by Mr. ROBERT ASTLETT, cashier of the Bank of England, to dispose of some exchequer bills. When they were delivered into Mr. BISH's hands, he was greatly astonished to find not only that these bills had previously been in his possession, but that they had been also delivered to the bank. Surprised at this, he immediately opened a communication with the directors, which led to the discovery of the fraud, and the apprehension of ROBERT ASTLETT. By the evidence produced on the trial, it appeared that the prisoner had been placed in charge of all the exchequer bills brought into the bank, and when a certain number were collected, it was his duty to arrange them in bundles, and deliver them to the directors, in the parlor, where they were counted, and a receipt given to the cashier.

This practice had been strictly adhered to; but the prisoner, from his acquaintance with business, had induced the directors to believe that he had handed them bills to the amount of £700,000, when they were only in possession of £500,000. So completely had he deceived these gentlemen, that two of the body vouched by their signatures for the delivery of the larger amount.

He was tried for the felonious embezzlement of three bills of exchequer, of £1,000 each. A fatal objection was, however, raised by the counsel of Mr. ASTLETT, and the bank failed in their endeavor legally to establish his guilt. Though the prisoner was acquitted in this instance, he was detained in custody, until the directors could cause a civil process to be issued against him. From this plan they departed, however; and on the renewal of the sessions ASTLETT was again tried for the criminal offence.

The indictment charged him this time with the felonious embezzlement of property and effects of the Bank of England. He was found guilty, with the reservation of some points of law, which were left for the decision of the twelve judges. In the following year Mr. Baron NOTHAM said the objections had been ably and legally discussed, and that the judges were of opinion that "the prisoner, having been found guilty of the embezzlement, was subjected to the pain of death."

This sentence, however, was not executed; and Mr. ASTLETT remained a prisoner in Newgate for many years.

At the next half-yearly meeting of the proprietors, it became necessary for the governor to state that a loss had been sustained through Mr. ASTLETT of £320,000, £78,000 of which the directors hoped to recover. It was announced that this would make no alteration in the dividend, although it amounted to nearly the entire interest of the half-year. The governor then said that the directors were not to blame for the malpractices of Mr. ASTLETT, who had succeeded in making away with the effects of the bank by interlineations, and by calling out false sums, when the property was regulated. A very satisfactory explanation was given, by which it appeared that the directors had relied on Mr. ASTLETT's character and long fidelity. Under all circumstances, it was stated that it would have required a supernatural power to have at first detected him.

Although the governor stated that the defalcation would make no difference in the dividend, it was probably preventive of a bonus. Upon the capital stock of the company the fraud would have amounted to two and a half per cent., and, as this was the only year between 1798 and 1807 (with the exception of that when the charter was renewed) which passed without the declaration of a bonus, there can be little error in assigning the crime of the cashier as a cause of the omission.

In February, 1803, the bank restriction bill was again proposed by Mr. ADDINGTON. The uncertainty of the peace enjoyed by the nation, the knowledge that the restless spirit of the first French consul was planning schemes of conquest, and an extension of territory, incompatible with the liberty of England, was undoubtedly one great reason. In addition, a three years' scarcity had compelled us to seek a supply of grain from the continent; and for this purpose twenty millions of bullion had been sent out of the country within that period. An additional large drain of cash for our army and navy also appeared to render a return to specie payments almost impossible, as, in the opinion of Mr. ADDINGTON, we ought to wait the operations of a flourishing commerce to bring back some proportion of this vast amount. A bill, therefore, limiting the suspension of specie payments to six weeks after the commencement of the ensuing session, was passed. The wisdom of the arrangement was soon seen. The stipulations of the treaty of Amiens had never been fulfilled by BONAPARTE. The attempt to control by treaties the man who never made one but with the view of violating its provisions, proved fallacious.

During the short period which the truce lasted, antagonistic feelings were operating in England, and a violation of justice was witnessed in the transactions of the first consul of France, which obviously tended to destroy the existing peace. His insidious fomentation of the quarrels of

the Swiss, and his insolent assumption of the character of arbiter; his interference with St. Domingo; his treacherous conduct to

“TOUSSAINT, the most unhappy man of men!”

tended to nourish the dislike with which NAPOLEON was universally regarded by the English. The feelings of the rival nations were soon kindled into rage. Foul, and even false assertions, were made on both sides of the channel. The press of London and Paris attacked and re-primed, and the ruler of France lowered the personal dignity which he usually so sternly maintained, by prosecuting a royalist emigrant for an offensive libel. But that which marked the insecure nature of the truce of Amiens was the discovery of persons, chiefly military, in the act of performing BONAPARTE's directions, to make exact plans of the harbors and coasts of the United Kingdom. The indignation of England, hitherto somewhat suppressed, burst forth like a torrent. The treachery of France was openly and vehemently denounced. The press and the Parliament alike spoke the voice of the people. The government openly announced that the French were recruiting their armies, and increasing their fleet, and that it was necessary for England to adopt the same course. At length the storm burst forth which was to desolate Europe. The ambassador was recalled from Paris; and on the 18th May, after a short and uncertain peace of fourteen months, war was again declared.

The commencement of hostilities rendered a return to cash payments impracticable. The English government was well aware that this country would be called upon, by whatever allies she might form, for pecuniary support. Her great commercial prosperity, the vast stake she had in preserving her independence, and with it that of the great nations of Europe, rendered England the most important enemy of France.* But it was her gold which chiefly made her dangerous. The sinews of war possessed by her caused her demonstrations to be regarded with anxiety, enabling her to treat upon independent terms with the enemy, when the remainder of Europe crouched obsequiously before him. It was necessary, therefore, to reserve her specie as much as possible to meet the expenses of the contest; and in 1803 a bill was introduced, postponing cash payments until six months after a definitive treaty of peace. “Nor was this done,” said Lord HAWKESBURY, “either at the request or suggestion of the bank directors, as government had brought it forward solely from a conviction of its necessity.” In the debate which occurred, the chancellor of the exchequer remarked, “that it was very much to the credit of the bank that it had not abused the discretion given it, with a view to its own private profits.”

* At the commencement of the Reign of Terror the government adopted the plan of a forced loan from the opulent classes. This tax was imposed on an ascending scale, increasing according to the fortunes of the individuals; and out of an income of 50,000 francs, or about £2,000 a year, they took, in 1792, 36,000 francs, or about £1,600. This immense burden was calculated as likely to produce at once a milliard of francs, or £40,000,000 sterling; and as a security for this advance, the persons taxed received assignats, or were inscribed as public creditors on the *grand livre* of the French funds, a security, in either case, depending entirely on the success of the revolution, and which proved, in the end, almost illusory.—ALISON'S *Europe*, vol. 1, p. 315.

The scarcity of silver had been severely felt for some time prior to 1804, and the bank issued dollars of five shillings. "These dollars," says Mr. GILBART, "had on the obverse side an impression of his majesty's head, and the following superscription: 'GEORGIUS III., Dei Gratia Rex,' and on the reverse side, the impression of Britannia, and the following: 'Five shillings dollar. Bank of England, 1804.'" In the same year, a bill was introduced to prevent the tokens issued by the bank from being counterfeited; and though, in the course of the debate, the directors were accused of wishing to grasp one of the privileges of the sovereign, the bill was carried. Of these coins, 1,419,484 were issued.

The restriction placed upon the bank by government was naturally productive of increased profits. Although the chancellor said, "that to its honor, it had not availed itself of the disposition of the act, to issue a quantity of paper exceeding its amount of capital;" yet the absence of treasure in its bullion office was a sufficient reason for the bonus which was annually presented to its proprietary, and which was renewed in 1804, 1805 and 1806, at the rate of five per cent. in cash upon the capital in each year; and in 1807 they received the agreeable announcement that the dividend would be raised from seven to ten per cent., free of income tax; at which rate it remained until 1822. At the declaration of the bonus, in 1806, a proposal was made by one of the court, and carried unanimously, that the gratuity to the directors should be doubled. The amount of income received by these gentlemen for their devotion to the interests of the proprietary, has always been regarded by them of small moment, compared with the importance of the position, and the circumstance is, therefore, only noticeable as an evidence of an estimation of their services.

In 1696 it was arranged that the same recompense to the governor, deputy-governor and directors, which had been presented them by an order of the court in 1695, should be continued annually. In accordance with this, £200 per annum had hitherto been received by the governor and deputy-governor, and £150 by each of the directors; but by the new arrangement, the former have since continued to receive £400, and the latter £300 per annum.

In 1806, the three millions which the bank had advanced to the State in payment of the charter of 1800 became due. In the ordinary course of events, this sum should have been returned, or an increased rate of interest allowed. The government, however, thought differently, and prevailed upon the bank to renew the loan at three per cent., until six months after the ratification of peace. An additional sum, therefore, of nearly five hundred thousand pounds, may be added to the price paid by the company for the renewal of its charter.

The war had been costly to the government. The star of NAPOLEON was yet in the ascendant. Threats of invasion were boldly uttered by the French. Vast efforts were made in England to meet them. Five hundred men of war traversed the seas, ventured into the enemy's harbor, destroyed his navy, and crippled his flotillas. The officers of the bank formed a volunteer corps. On every hill-top throughout the island, beacons blazed and sentinels watched. The spirit of the citizen soldiery was awake, and Europe saw the tradesman leave his shop, the merchant

his counting-house, and the clerk his desk, to attest that the ancient spirit of England still survived to maintain the freedom bequeathed to the land. The fine coalition organized by Mr. PITT had been crushed. The emperors of Russia and Germany witnessed their armies cut to pieces, and their hopes defeated, from the heights of Austerlitz, and England mourned the death of that great man who had roused the States of Europe to a sight of their national degradation. The continuation of a loan of three millions, therefore, at an interest far below the market value, was of some importance. It is, perhaps, to the same causes, together with others, hereafter to be mentioned, that the Bank of England was made the object of a searching inquiry at a later period. The energy with which the ambition of BONAPARTE had been met by the government of Great Britain, the knowledge that the commerce of this country, together with her insular position, rendered her calm, self-possessed and defiant, while the remainder of Europe either courted him or was crushed by him, produced from the conqueror that fiercest of feelings, an impotent longing after vengeance. With the vain hope of destroying our supplies of corn from the Baltic, the entrance of British ships was prohibited into any of the ports or rivers of Prussia; and in November, 1806, from the captured city of Berlin, was issued a decree, declaring the British islands in a state of blockade. France was without a navy; the maritime power of England was pre-eminent; and the insolence, therefore, of such a proclamation can only be measured by its impotence.

The chivalrous spirit which has from time to time shone from the anarchy of war, and which, in our own days, we have seen exemplified in the noble conduct of MEHEMET ALI, was absent in NAPOLEON BONAPARTE. But the blow aimed by him in his Berlin decrees was more mischievous to French commerce than to English enterprise. In all the seaports of France* the contraband trade was at a premium. In vain, from the heart of conquered nations, did he launch his imperial edicts. English merchandise was requisite, and English merchandise was borne in triumph through the custom-houses of France to the homes of her people. The only difference between illegal and legal traffic being that, in the former, the profit was made by the contrabandist, and in the latter

* CAMBON, the minister of finance, soon after the fall of ROBESPIERRE, made an important and astonishing revelation of the length to which the emission of assignats had been carried under the reign of terror. The national expenses had exceeded three hundred millions of francs, or above £12,000,000 a month; the receipts of the treasury, during the disorder which prevailed, never exceeded a fourth part of that sum, and there was no mode of supplying the deficiency but by an incessant issue of paper money. The quantity in circulation at the fall of ROBESPIERRE amounted to six milliards four hundred millions, about £300,000,000 sterling, while the national domains were still worth twelve milliards, or above £520,000,000 sterling. But this astonishing issue of paper could not continue without introducing a total confusion of property of every sort. All the persons employed by government, both in the civil and military departments, were paid in the paper currency at par; but as it rapidly fell, from the enormous quantity in circulation, to a tenth part, and soon a twentieth of its real value, the pay received was merely nominal, and those in the receipt of the largest apparent incomes were in want of the common necessaries of life.—ALISON'S *Europe*, vol. 1, p. 313.

by government. In addition to this, our capitalists sought other fields; and the energy which, to some extent, was depressed in one, was more determined and successful in its attempts after another market.

In 1808, a committee was appointed to inquire into several branches of the public expenditure; the accounts of the Bank of England were examined with the view of decreasing the emoluments. Since 1786, when the charge upon each million of the public debt had been reduced from £562 10s. to £450, no change had occurred. The national debt, which then was £224,102,424, and for the management of which £100,846 were paid, amounted in January, 1807, to £550,441,314, on which £265,818 were received by the bank, in addition to the original £4,000 and £1,898 on £4,000,000, bought from the South Sea Company.

The difficulty of the finance committee was great in procuring some satisfactory criterion by which to arrive at a fair conclusion. The South Sea House, which received £582 13s. 6d. for each million, was the nearest; but the small amount of stock was a reason for so large a sum being paid. The charges of the Bank of Ireland had been fixed by the rate which was paid to the English bank, and to argue from that would be very like arguing in a circle. The management of the public debt in America afforded some illustration; but there was one material difference in the banks of the United States merely undertaking the payments of the dividends, while the transfers were managed at the public offices. For this cause, and from the limited number of the stockholders, (at that period about 15,000,) the risk and expense of the American could not be brought into comparison with the English bank. This was somewhat unfortunate; for the finance committee might have urged the fact that the American bank charged nothing for their trouble, with full force upon that body, on the profits of which they were in judgment.

Under these circumstances, they had recourse to the corporation itself for information. "Assuming as an incontrovertible proposition," says the report, "that in proportion as the business becomes enlarged, a moderate commission on a large business produces a greater proportionate profit than a higher rate on one more confined, it is obvious that a charge of allowance reasonable upon twenty or twenty-five millions, becomes profuse and extravagant upon five hundred millions. The increase in the establishment of the bank, which has been rendered necessary by the augmentation of this branch, consists principally in the number of the clerks; of whom the whole number employed in the public business, exclusively or principally, was, in 1786, 243; in 1796, 313; and in 1807, 450; whose salaries, it is presumed, may be calculated on an average, at between £120 and £170 for each clerk; taking them at £135, which exceeds the average of those employed in the South Sea House, the sum is..... £ 60,750
at £150, 67,500
170, 76,500

either of which two last sums would probably be sufficient to provide a superannuated fund.

Incidental expenses and sundries, about,	£15,000
Additional buildings and repairs,	10,000
Law expenses, and losses by frauds and forgeries,	10,000

On this penurious calculation, the committee proceeded to state that the whole increase of officers who transacted the business was, in the previous eleven years, 137, the annual expense of whom might vary from £18,449 to £23,290, the addition to the other permanent charges being, probably, about one-half or two-thirds of that sum, while the increased allowance for management in the last ten years was more than £155,000." The conclusion at which the committee arrived, was recommendatory of a reduction of the profits. After stating that the bank, "over and above the charges of management, are accustomed to receive allowances from the public of £805 15s. 10d. per million, for receiving contributions for loans, and £1,000 for contributions to the lottery; and that they have the benefit of holding all the money for half-yearly dividends, besides having the cash for the navy and army service," they concluded by stating that "it is deserving the attention of Parliament, whether a further reduction of expense cannot and ought not to be made upon this branch of public expenditure."

The reason which appeared most plausible was, the large amount of deposits committed by the government to the keeping of the bank to meet the expenses of the war. In 1800, Mr. PRR alluded to this balance as affording some right to an interest in the annual profits of the company. These balances were, however, entirely optional. It suited the purpose of the State to choose so secure a depository as the national bank; it was a cause of expense to the latter; and the claim of Mr. PRR to participate in the profits, appears about as reasonable as the demand of any wealthy individual to share in the yearly returns won by the sagacity of his banker, because he has, to meet his own views, deposited a large sum in the hands of the latter. The real origin of the committee was the spirit which could not bear to see the bank directors give bonus after bonus to their proprietors, or increase their dividend from seven to ten per cent., without longing to participate. This is apparent in the following extract: "The annual and temporary bonus of £5 per cent. which the bank have for some successive years added to their accustomed dividends of seven per cent., and the recent augmentations of their regular dividends to ten per cent., exclusive of property tax; the rise, also, in the market price of their stock, which, having sold in 1786* from £156 to

* Nine years of peace, up to 1792-'3, had enabled Great Britain to recover, in a great degree, the losses and exhaustion of the American war. If she had lost one empire in the Western, she had gained another in the Eastern world; the wealth of India began to pour into her bosom, and a little island in the west of Europe already exercised a sway over realms more extensive than the arms of Rome had reduced to subjection. A vast revenue, amounting to £7,000,000, was already derived from her Indian possessions; and, although nearly the whole of this great sum was absorbed in their costly establishment, yet her rulers already looked forward with confident hope to the period, now very likely to be realized, when the empire of Hindostan, instead of being, as heretofore, a burden, should be a source of revenue to the ruling State, and the wealth of India really become that mine of gold to Britain which it had long proved to numbers of her children. Her national debt, amounting to £244,000,000, and occasioning an annual charge of £9,317,000, was, indeed, a severe burden upon the industry of the people, and the taxes, though light in comparison of what have been imposed in later times, were still felt as oppressive; but, nevertheless, the resources of the State had augmented to an extraordinary degree during the repose which had prevailed since the conclusion of the for-

£172 per cent., now sells at £230, are strong circumstances in confirmation of the large increase of their profits." These profits the government desired to grasp, but they were only attainable by mulcting the establishment in an indirect way.

The unclaimed dividends were another source of gain recommended by the committee, which was perfectly justified in the report, that, as they amounted, on the 8th of July, 1806, to £986,573, the sum of £800,000 might be honorably claimed.

It has long been the custom to regard the bank as indebted entirely to the State. The profit on the management of the national debt is pompously announced. The gain arising from the paper circulation secured by the bank charter is proclaimed as an additional revenue. The interest also arising from the government balances is not forgotten. But let it be remembered that there are other and strong claims for the bank. At the period of the finance committee, its capital, of more than eleven millions, was lent at the low interest of three per cent., and on this an annual payment of £230,000 was derived from the company for the charter. Advances were also made to the extent of £2,750,000 on the annual land and malt taxes, at four per cent., and this produced a profit to the country; while the three millions advanced for six years, and continued when this period had expired, at the interest of three per cent., was another mode of payment for the patronage of government. The bank also deducted the property tax from the public dividends, and paid it into the exchequer without charge, by which means delay was obviated, and the expense of collection saved.

The only point of the report, independently of the unclaimed dividends, which bore the semblance of justice, was its conclusion, when, after pointing out in what place the establishment was most vulnerable, and where it might be most easily assailed, it stated, "The accommodations derived by the public from its connection with the bank, have been carried on some years to a very large amount; and it must always be considered as an object of the greatest consequence to maintain the permanence of an establishment of such opulence and credit, which has contributed so materially to extend commercial prosperity, and to maintain the public faith of the country. Your committee cannot conclude their report without bearing testimony to the favorable disposition so often manifested on the part of the bank towards the public service; and they entertain no doubt of the same readiness to accede to any equitable arrangement that may be proposed under the present circumstances."

The report of the committee* was followed by an application, on the

mer contest; commerce, agriculture and manufactures had rapidly increased; and the trade with the independent States of North America had been found to exceed what had been enjoyed with them in a state of colonial dependence.—ALISON'S *Europe*, vol. 1, p. 157.

* A new plan of finance was proposed to Parliament, in 1807, by Lord HENRY PERRY, (now Marquis of Lansdowne,) Chancellor of the Exchequer, and adopted in the arrangement of the loan for that year.

The annual expenditure during the war was estimated at £32,000,000 beyond what the surplus of the consolidated fund and the annual taxes could supply. The war taxes were estimated at £21,000,000, viz., property tax, £11,500,000, and other

part of Mr. SPENCER PERCIVAL, proposing a reduction in the rates of management, a further advance of £500,000 of the unclaimed dividends, and a loan without interest of three millions, until six months after the conclusion of the war, or the payment of £150,000 per annum for the same period, urging, however, the superior benefit to be derived by the public from the former. The following extract from a letter, the last written on the occasion by the chancellor of the exchequer, embraces the arrangement as it was concluded :

“I have proposed, first, that the bank shall now advance, out of the unclaimed dividends in their hands, the sum of £500,000 for the use of the public, in addition to the sum already advanced out of that fund, provided that the amount of such dividends remaining in the bank shall not be reduced below £100,000.

“2d. That for the management of the public debt, the bank shall henceforth be allowed as follows: £340 per million per annum upon the debt, whenever it may amount to £400,000,000, and not exceed £600,000,000; £300 per million per annum on the amount of any debt unredeemed above £600,000,000. The said £600,000,000 continuing in such case to be managed at the aforesaid rate of £340. £450 per million per annum on the debt when it may exceed £300,000,000, and not amount to £400,000,000.

“3d. That the bank shall, on or before the 5th of April next, advance for the public service in the present year, three millions, by way of loan, without interest. The principal to be secured by exchequer bills.”

At a meeting of bank proprietors, in January, 1808, the proposals were read by the governor, and, after some explanations, unanimously agreed to. The following was their purport: “That £500,000 should be withdrawn from the fund appropriated for unclaimed dividends, for the use of the public. That an alteration should take place in the rate of the management, which would be a saving to the government of £70,000 per annum; and that three millions sterling should be advanced to the State, without interest, the payment to be secured by exchequer bills, to be made payable from the signing of a definite treaty of peace.”

These resolutions, after some debate, were agreed to, and the object of the finance committee gained. The interest on the three millions, at five

articles, £9,500,000. The annual deficiency to be supplied by loan was, therefore, £11,000,000, which were proposed to be raised by mortgaging the war taxes to the extent of ten per cent. on the sum borrowed; the surplus of which sum mortgaged, after paying for interest and management, was to form a sinking fund for the redeeming the debt, and thereby disengaging the part of the war taxes mortgaged in a certain number of years, according to the rate of interest at which the loan was transacted. Thus, if the interest and management was five per cent., there would remain five per cent. as a sinking fund, and this would pay off the debt in fourteen years. The sums proposed to be borrowed in this manner were £12,000,000 for the first three years, £14,000,000 for the fourth, and £16,000,000 for each of the succeeding ten years; amounting altogether to £210,000,000; for which, at the rate of ten per cent., the whole of the war taxes would be mortgaged. But the debt contracted the first year being now paid off by the sinking fund appropriated to it, the portion of the war taxes mortgaged for it would be set free, and be applicable to the loan of the following year. And another portion being set free the following and each succeeding year, these loans might be continued on this system without limitation of time.

per cent., till the conclusion of the war, amounted to about one million sterling.

The name of ABRAHAM NEWLAND, that name by which the notes of the bank were often indicated, is familiar to most readers. In 1807 he retired from the office of chief cashier, after a service of more than half a century. His last act was to decline the pension which the liberality of the directors offered. The same year he died; and as a specimen of the fortunes which were occasionally amassed in the service of the establishment, it may be mentioned that his property amounted to £200,000, besides £1,000 a year landed estates. It must not be supposed that this was saved from his salary. During the whole of Mr. NEWLAND'S career, the loans, which, during the war, were made almost yearly, and occasionally oftener, proved very prolific. A certain amount of them was always reserved for the cashier's office, (one parliamentary report names £100,000,) and as they generally came out at premium, the profits were great. The family of the GOLDSMITHS, then the leaders of the stock exchange, contracted for many of these loans, and to each of them he left £500, to purchase a mourning ring. From some remarks in the papers it may be gathered that the large funds of Mr. NEWLAND were occasionally lent to these gentlemen, to assist their varied speculations. It was also the subject of frequent allusion in the pamphlets of the period; and as those who know the least are frequently the most confident, there was not much ceremony used in the strictures passed upon Mr. ABRAHAM NEWLAND.

The odium thrown upon the bank for the many deaths which have taken place for forgery, must necessarily find some palliation in the subtlety of those who entered into the dangerous traffic. It was in truth a trade. The notes were frequently sold at so much in the pound, and, as in the instance about to be related, they were often sent into the foreign market. In 1808 VINCENT ALESSI, a native of one of the Italian States, went to Birmingham, to choose some manufactures likely to return a sufficient profit in Spain. Amongst others he sought a brass founder, who showed him that which he required, and then drew his attention to "another article," which he said he could sell cheaper than any other person in the trade. Mr. ALESSI declined purchasing this, as it proved to be a forged bank note; upon which he was shown some dollars, as fitter for the Spanish market. These also were declined, although it is not much to the credit of this Italian that he did not at once denounce the dishonesty of the Birmingham brass founder. It would seem, however, from what followed, that Mr. ALESSI was not quite unprepared, as, in the evening, he was called on by one JOHN NICHOLLS; and after some conversation he agreed to take a certain quantity of notes, of different value, which were to be paid for at the rate of six shillings in the pound.

ALESSI thought this a very profitable business, while it lasted, as he could always procure as many as he liked, by writing for so many dozen candlesticks, calling them Nos. 5, 2, or 1, according to the amount of the note required. The vigilance of the English police, however, was too much even for the subtlety of an Italian; he was taken by them, and

allowed to turn king's evidence, it being thought very desirable to discover the manufactory whence the notes emanated.

In December JOHN NICHOLLS received a letter from ALESSI, stating that he was going to America; that he wanted to see NICHOLLS in London; that he required twenty dozen candlesticks, No. 5; twenty-four dozen No. 1, and four dozen No. 2. Mr. NICHOLLS, unsuspecting of his correspondent's captivity, and consequent frailty, came forthwith to town, to fulfil so important an order. Here an interview was planned, within hearing of the police officers. NICHOLLS came with the forged notes. ALESSI counted up the whole sum he was to pay, at six shillings in the pound, saying, "Well, Mr. NICHOLLS, you will take all my money from me." "Never mind, sir," was the reply, "it will be all returned in the way of business." ALESSI then remarked that it was cold, and put on his hat. This was the signal for the officers. To the dealer's surprise and indignation he found himself entrapped, with the counterfeit notes in his possession, to the precise amount in number and value that had been ordered in the letter. Thus Mr. NICHOLLS found his business suddenly brought to a close, and the brisk trade in imaginary candlesticks finished, to the infinite welfare of the public.

In 1809, also, the public were made aware that a traffic in one, two and five pound notes, had existed for some time to a most alarming extent. The Bank of England had long known of these forgeries, and had been successful in detecting many of the delinquents. A traffic so large had never before been discovered. It was positively sworn that forged notes might be bought in "sufficient quantities to load a jackass." Those which reached the bank were detected at a glance. The signatures of some cashiers who had long been dead were on many, while others bore only Christian names. From these inconsistencies, and the bad color of the paper, they were chiefly circulated in parts remote from the metropolis. Not the less, however, was it the duty of the directors to detect the culprits, thirteen of whom were taken in one day, through a clever contrivance of the officers; and notes to the amount of £10,000 seized on the premises. The paper had been retailed by poor ignorant people, few of whom could write or read, at from five to ten shillings in the pound. Birmingham was the fountain-head whence they flowed, and Wales and Scotland the parts where they were principally passed. The idea was prevalent among all, that if the forged notes were not actually found in their possession they could not be convicted; a delusion quickly dispelled, to the cost of these unhappy men.

CHAPTER XV.

HIGH PRICE OF BULLION—BULLION COMMITTEE—THE REPORT—FINANCIAL DIFFICULTIES
—LOAN OF EXCHEQUER BILLS—MR. HORNER'S MOTION—MISCHIEVOUS EFFECT OF THE
BULLION REPORT—MOTIONS OF MR. VANSITTART AND LORD STANHOPE—LETTER OF
LORD KING TO HIS TENANTRY—RISE IN THE VALUE OF THE DOLLAR—STOCK EX-
CHANGE FRAUD.

By the regulations of the mint, the price of standard gold was £3 17s. 10½d. per ounce. In 1809, however, it rose to £4 9s. and £4 12s. in the market. The bank paper was correspondingly depreciated. The enemies of the corporation proclaimed that this arose from the over-issue of its notes. Some attributed it to the war, which occasioned a large exportation of gold. Others, again, thought these opinions wrong, and that it arose from something else, which would correct itself; only, as Mr. HENRY THORNTON remarked, "it had not yet done so." All agreed that it would be advisable to inquire into its origin, and Mr. HORNER moved for accounts relative to the circulation. From this arose the famous bullion committee. The following is a portion of the report:

"The directors of the Bank of England have exercised the new and extraordinary discretion reposed in them since 1797, with an integrity and regard to the public interest, according to their conceptions of it, and, indeed, a degree of forbearance, in turning it less to the profit of the bank, than it would easily have admitted of, that merit the continuance of that confidence, which the public has so long and so justly felt, in the integrity with which its affairs are directed, as well as in the unshaken stability and ample funds of that great establishment."

The result of the deliberations was made known in the following words:

"That there is at present an excess on the paper circulation, of which the most unequivocal symptom is the high price of bullion, and next to that, the low state of the continental exchanges; that this excess is to be ascribed to the want of a sufficient control in the issues* of the Bank of England, and originally to the suspension of cash payments, which re-

* *It is certainly true that a paper circulation, issued by a government, and increased according to its wants, has often been found in other countries, and undoubtedly would be found in this, a very powerful temporary resource. Such a mode of retaining resources has, however, always been reprobated, not only as adapted exclusively to a tyrannical or a revolutionary government, from the unlimited extent to which it may be pushed, but as extremely oppressive and unequal in the manner of its operation, and as giving a most unfair advantage to the profuse debtor over the thrifty creditor. Whatever objections, however, may be made to it on these grounds, it is, beyond all doubt, a system of taxation (for this is its true character) calculated to afford, for a short time, very powerful and effective resources. Let them read*

moved the natural and true control." "Your committee, therefore, report it as their opinion, that the circulating medium of this country ought to be brought back, with as much speed as is compatible with a wise caution, to the original principle of cash payments, at the option of the holder of bank paper. Your committee have understood that remedies or palliatives of a different nature have been prescribed, such as a compulsory limitation of bank advances and discounts, during the suspension, or a compulsory limitation of the bank dividends, by carrying the surplus to the public account. But such schemes, in addition to other reasons, would be objectionable, as a most improper interference with the rights of commercial property. According to the judgment of your committee, no sufficient remedy for the present, or security for the future, can be pointed out, except the repeal of the law which suspends the cash payments of the Bank of England."

"In effecting so important a change, some difficulties must be encountered; and there are some contingent dangers to the bank, against which it ought most strongly to be guarded. But they may be provided for by restoring to the bank the charge of conducting and completing the operation, and by allowing the bank an ample period for conducting it. To the discretion, experience and integrity of the directors of the bank, Parliament may safely intrust the charge of effecting that which it may determine upon as necessary. The directors of that great institution, far from making themselves a party with those who have a temporary interest in spreading alarm, will take a much larger view of the permanent interests of the bank, as indisputably blended with those of the public."

The committee concluded by recommending the lapse of two years previous to removing the restriction, and an issue of notes for less than £5, for a short time after the return to cash payments.

The state of commerce in Great Britain demanded serious attention in 1811.* Considerable distress existed. The markets in South America, the Brazils, and other parts, had been opened to English adventure. Great hopes were entertained, and great ventures made. Extensive ex-

the whole essay, and then say whether it is not clearly HUME's opinion that the most certain way of producing that poverty, beggary and sloth which he describes, is a profuse issue of bank paper, an intemperate use of an excessive stimulus, which, from its very nature, cannot admit of being continued.—*Edinburgh Review*, August, 1811.

* The House of Commons had, on the 13th of May, 1811, declared, in a resolution, that the promissory notes of the Bank of England had hitherto been, and were, at that time, held in public estimation, to be equivalent to the legal coin of the realm, and generally accepted as such in all pecuniary transactions to which such coin was legally applicable; yet, in so short a time as six or seven weeks, the ministers found it necessary to interfere in support of this equivalency, not only by the most indecent clamor, but by the most formidable legal obstacles; while, at the same time, the measures which they proposed and carried, avowedly in consequence of the decision of the judges in the case of DE YONGE, clearly and unequivocally evinced that the fact stated in the resolution alluded to had been occasioned entirely by the laudable unwillingness of British subjects to violate what they conceived to be the law; and that those who had voted for it were conscious that as soon as this fear was removed, the public estimation would be as different as possible from that which had been asserted.—*Edinburgh Review*, March, 1811.

ports took place to those countries and to the West India Islands, which, not meeting with a ready sale, ruined the shippers, and prevented them from paying the manufacturers, who had the bills returned upon them.

No sooner is a new sphere of operation opened, than the manufacturing interest appears to lose its usual keen discrimination. The thoughtful energy which ordinarily characterizes it degenerates into an unwholesome excitement, and a spirit, not of trade, but of speculation, ensues. It was thus with these exportations. In a few weeks more goods were sent out to Buenos Ayres and the Brazils than had been consumed there in the previous twenty years. The warehouses were filled with the most valuable produce. On the arrival of fresh cargoes, there was no space to contain them; and while the brain of the exporter was filled with visions of eager purchasers, and of cent. per cent. profits, his merchandise lay exposed to the winds and the waves on the beach, with every chance of depredation and of damage. Exquisite services of china and of cut glass were forwarded to those who had been accustomed to the primitive horn, or to the yet more natural cocoonut shell; and as golden mines formed the invariable accompaniments of the Brazils in the fancy of the English trader, tools, with a hammer on one side and a hatchet on the other, were sent out, under the idea, says Mr. McCulloch, from whom this information is collected, "that the inhabitants had nothing more to do than to break the first stone that they met with, and then cut the gold and diamonds from it."

If the old jest of sending out warming-pans to Jamaica be untrue, it is at least certain that, at this time, the people of that warm climate were presumed to be proficient in the use of skates, as some of the speculators sent out this article with an eagerness that could only be surpassed by their ignorance. The effect on the merchant and the artisan is obvious. Some manufactories were closed. Half the operatives were dismissed from others. In many the workmen found their wages reduced; and the mischief thus fell upon the class which were least able to support it. The merchants who had exported beyond their capital were gazetted. In many instances it was known that they would pay in full; but in the mean time master and man were alike depressed. The prices of goods fell 40, 50 and 60 per cent. Want of confidence was also keenly felt. Some of the Scotch banks* contracted their business, contented with retaining their capital, in preference to running any risk in the pursuit of profit. This, although only a few acted so, added to the misery in that country.

* That great and sudden, and therefore perilous fluctuations have taken place in the currency of Scotland, is placed beyond all question by the returns made by the three principal Scotch banks to the committee of the House of Commons in 1819. For example, the British Linen Company state that, assuming the number 1,000 to represent the amount of their notes in circulation on the 5th of January, 1810, they had increased to 1,410 on the 7th of January, 1814, and had again fallen to 927 on the 2d of January, 1818; being an increase of upwards of forty per cent. in the course of the first four years of that period, and a decline of thirty-five per cent. in the course of the next four years. This, however, is not the greatest fluctuation: for, while the issues on the 2d of January, 1818, are represented by the number 927, they had increased to 1,334 on the 1st of January, 1819; being a rise of no less than forty-two per cent. in the course of a single year.—*Edinburgh Review*, Feb., 1826.

A meeting of the merchants of London was convened, which, after entering into a specification of the causes of the distress, concluded by recommending a loan of exchequer bills.

The attention of Parliament was drawn to the subject. An advance of six millions was authorized by them on the principles which had guided the loan of 1793, in sums of not less than four thousand pounds. Few houses, however, could give the requisite security, owing to the decreased value of merchandise; and bankruptcies were numerous.

On the 6th of May, 1811, Mr. HORNER brought forward his resolutions founded on the report of the bullion committee, with a view to produce a resumption of payments in specie. The speech has been happily eulogized by Lord BROUGHAM as a finished model of eloquence applied to such a subject. Anxious that his speech should not appear to blame the bank, Mr. HORNER gave it a testimony which, from a mind so well versed in monetary subjects, is worth recording. "No man who has ever attended to the distresses which, in various parts of our history, war has produced, can doubt for a moment that from the Bank of England, not only the government, but the commercial credit of the country, has received the most important assistance. It is to that assistance alone, so beneficially rendered on so many trying occasions, that in the prospect of similar exertions and efforts on the continent we can look for support. The interests of the Bank of England, therefore, form a great and integral part of the public credit of the State." The debate occupied several sittings. The opinions which were propounded were as various as opinions upon the currency have ever been; and the resolutions were lost by a vast majority.

The publication of the bullion report* was stated to have produced mischievous consequences. NAPOLEON'S decrees, which had been leveled at our commerce, and had forbidden the importation of any English manufactures, had not effected the anticipated result. The enterprise of Great Britain sought other ports; her gold still subsidized her opponents; her energy remained uncrushed; her enduring courage proved, on many well-fought fields, that she was as fearless now as when, centuries before, she met her ancient enemy on his own soil; or, at a later period,

* On the whole, therefore, it appears to us that the restoration of cash or *bullion* payments affords the only effectual security against depreciation, and against sudden and pernicious fluctuations in the value of our paper money; and the way in which it would produce these effects is sufficiently obvious. For the run that would then be made on the bank for specie for exportation, whenever the currency, as compared with that of other countries, had become redundant, would very quickly compel the directors to limit their issues, and consequently to raise the value of their paper. An extremely small profit is sufficient to set the bullion merchants, and a still smaller one to set the melters of the coin to work; and, therefore, the value of a paper currency, convertible at pleasure into a given quantity of the precious metals, can never differ considerably from their value in the country where it is issued; and all the difference that can take place, in the value of gold and silver currencies among nations trading together, will generally be limited to the expense of the transfer of bullion from the one to the other. If it exceeds this sum, an inducement to importation is held out; if it is less, it will be profitable to export; and in either case, the equilibrium of value will be very soon attained.—*Edinburgh Review*, vol. 31, p. 66.

battled with him beneath the shadow of the pyramids. Despairing of success, and finding himself more injured than injuring, the ruler of France was on the point of abandoning his anti-commercial policy. Subsequently, when he read the declaration of the depreciation of our currency, the necessity of returning to specie payments, and the mischiefs inflicted on this country by its paper not being convertible into cash, he persevered with increased energy.

On the 13th of May, 1811, Mr. VANSITTART* brought forward and carried his celebrated resolutions, to the effect, that the price of gold had advanced, but that the value of bank notes was not depreciated. The debate is worthy perusal, from its occasionally indecorous scenes and strange language; nor will the reader's patience be much tired by the following specimen of a speech, made upon the currency, in the great deliberative assembly of the national council. The speaker was a Mr. FULLER, who said, "I don't like this business at all. I think it is a humbug. There is no depreciation, or I know nothing about the matter. I can't understand how they would make out that there is any depreciation of the currency. No, sir, this is all the attempt—this is all the system of the base faction, the cowardly faction, who are undermining the credit of the country. Yes, sir, the faction that originates every thing malevolent to —; but, sir, I go to other things. Some gentlemen say, sir, the guinea was once worth 20s. It is now worth 21s.; and some say it is worth 24s. Why, then, if this be the case, why not say so? Why not speak out? Why not raise the guinea at once to 24s.? I don't pretend to puzzle myself with these things; but I say, let the country be firm; let the country keep up the credit of its currency, and all will go well. There are various reports as to what goes with the gold; some say it has disappeared; and some say it has been hoarded on the sea-coast, in order to send it off by the first boats that come, to take it to the continent. No matter for that. What should hinder us from having a circulation of our own, that nobody can take from us? The people would make no objection; they would take any thing for money; they would take tallow candles for change, if they would not melt in their pockets. If we once adopt this plan, we may defy the enemy as long as we like. We can make coin of leather or oyster-shells; and, if we can only keep up its credit for a year, we shall have BONAPARTE on his knees at the end of it. He, that tyrant, the Emperor of France himself, will be in despair of ruining us. I wish I could see a gentleman here. I mean, Mr. Speaker, I wish I could see a gentleman in his place that was here the other night, when we were talking about playhouses. A great man, a noble person, sir; I would have given him a hundred playhouses. Sir, he always came forward; he always spoke when there was a mutiny—when there was a

* The plan of finance proposed in the year 1813 by Mr. VANSITTART, and adopted by Parliament, is a modification of Mr. PITT's sinking funds; and, among other objects, is intended to rescind the alterations which have been made in these funds, as originally established in 1786 and 1792, by subsequent acts of Parliament, and restore them, as far as practicable, to the state in which they would have stood if no such alterations had taken place. It will be proper, therefore, to recapitulate the original enactments and alterations, in order to render the new system more clearly intelligible.

riot; wherever, in short, the country was in danger, he forsook his party and spoke his mind.* He would have put down this mean, conspiring set, sir. I wish to set my face against the whole scheme. It grieves me to see the time of the house taken up night after night. It grieves me to see so much labor and sweating about this bullion report. Why, sir, it won't make a bit better appearance in the papers than that nonsensical dispute between you and me."†

Mr. FULLER was probably what is termed a "thick and thin" man. Sir JOHN SINCLAIR followed in a speech, which tended to prove the advantages of a paper issue, from the great prosperity at home and success abroad; intimating, at the same time, an idea that the metallic frenzies of the bullion committee might be cooled to advantage in the Thames, the Tweed, or the Shannon.

This year was remarkable for a letter of Lord KING,‡ addressed to his tenantry. So open an attack upon the issues of the bank could not be passed over in silence. It excited great censure from one party and praise from another, and occupied the attention of the legislature no less than that of the people. It ran as follows :

"By lease, dated 1802, you have agreed to pay the annual rent of _____, in good and lawful money of Great Britain. In consequence of the late depreciation of paper money, I can no longer accept of any bank notes at their nominal value, in payment for satisfaction of an old contract. I must, therefore, desire you to provide for the payment of your rent in the legal coin of the realm; at the same time, having no other object than to receive payment of the real intrinsic value of the sum stipulated by agreement, and being desirous to avoid giving you unnecessary trouble, I shall be willing to receive payment in either of the manners following, according to your option.

"1st.—By payment in guineas.

"2d.—By a payment in Portugal gold coin, equal in weight to the number of guineas requisite to discharge the debt.

"3d.—By a payment in bank notes of a sum sufficient to purchase, at the present market price, the weight of standard gold requisite to discharge the rent. The alteration of the value of paper money is esti-

* Mr. SHERIDAN was the individual alluded to.

† Mr. FULLER here referred to a recent scene of indecorous altercation, in which he, being heated with wine, had attempted to throw a chair at the Speaker, on which account he was committed to the custody of the serjeant-at-arms.

‡ The *Edinburgh Review*, of August, 1811, (p. 463,) says upon this letter, viz. : "We confess, that when we first heard of the notice which Lord KING's requisition to his tenants had excited, we were disposed to regret that the event had happened, not because we did not think that the proceeding was perfectly equitable and honorable, but because we thought that, in the actual state of the knowledge and temper of the administration, it would lead immediately to the making of bank-notes a legal tender." The reviewer further says : "And yet it is because an individual has resorted to a remedy thus left open by the legislature for the most just and obvious purpose, and because it has been determined by the judges that the laws of England, as hitherto constituted, will not sanction the degradation of the legal coin of the realm, to whatever value in exchange a banking company may choose to give to their notes, that the late act to make bank notes equivalent to guineas has been passed, and that the further measure is threatened of making bank notes a legal tender."

mated in this manner. The price of gold in 1802, the year of your agreement, was £4 per ounce; the present market price is £4 14s., arising from the diminished value of paper. In that proportion, an addition of £17 10s. per cent. in paper money will be required, as the equivalent for the payment of rent in paper.

“KING.

“N. B.—A power of re-entry and ejectment is reserved by deed, in case of non-payment of rent due. No draft will be received.”

This notice was too important and significant to escape animadversion. It struck at the very root of the declaration that bank notes retained their original value, and was, therefore, warmly debated in the upper house. But the descendant of the illustrious LOCKE was not a man to be daunted from the path he had chosen. He boldly defended his circular, asserted the depreciation of the bank note, and maintained the superior value of the metal. It appears by the following extract from the “*Morning Chronicle*” of 1802, however, that the idea of his lordship had previously occurred to others:

“Thursday being the general licensing day for victuallers, in the parish of St. Martin’s-in-the-fields, the publicans received previous notice that they must pay the usual licenses in hard cash, as no Bank of England notes would be taken.”

If this paragraph may be relied on, the claim of novelty is lost to Lord KING. The difficulty was, however, met by Lord STANHOPE proposing a resolution, declaring it illegal to receive or give more than 21s. for a guinea, or less than 20s. for a one pound note.

“The bank,” said the earl, “is one of the bottom planks of the ship of England, and woe be to us if we permit it to be bored through.” Lord HOLLAND defended Lord KING, and said that it was a most judicious act, as he was only doing that which the claims of himself and his family demanded, and that he acted according to the law of the country. Lord GRENVILLE eulogized the character of Lord KING, his public spirit, his great information, the remarkable extent of his acquaintance with the subject discussed, and spoke of his private virtues and his general benevolence of disposition. Among other remarks, Lord KING said: “I saw no course left but to give up my property, or hold it at such value as the bank, in its good pleasure, might put upon it, or to avail myself of the means which the law yet affords me for its preservation.”

When produced before the lower house, a warm discussion was created. Opinions, varying as much as the views of the speakers, were enunciated. It was said by some that the bank note had not depreciated at all; it was asserted by others that it had decreased immensely. Some honorable members avowed their belief that if the bill should pass, the glory of England would pass with it; while others expressed their conviction that it was the only chance the country possessed of maintaining its greatness. Many took the opportunity of prophesying that which time has proved to be false; while others contented themselves with contradicting their opponents, and uttering oracular sayings, more distinguished for vagueness than for wisdom.

The resolution was materially altered by the ministers, and only about five lines left unchanged of his lordship's bill, which, however, retained its purport and original intention.

Lord KING, on the third reading, asserted that the law would create additional mischief, and great inconvenience; that landlords would now refuse to grant leases; that the bill could not effect its object, or retard the depreciation of bank notes. Lord ELDON gave his powerful sanction to the act, and declared that the claim of Lord KING, in the letter of the latter to his tenantry, was oppressive and unjust, and that the bill was necessary to prevent such grievous wrong. The following forms part of his speech: "The restriction act of 1797 interfered so far with individual contracts, as to say that a debtor should not be arrested if he tendered his debt in bank notes;* the justice of that enactment has never been disputed, and is it now to be said, that a tenant shall have his goods or stock seized because he cannot pay in gold, which is not to be procured? Let us suppose a young professional man, struggling with the world, who has a rent to pay of £90 per annum, and who has £3,000 in the bank, in the three per cents. His lordship demands his rent in gold, but the bank refuses to pay the tenant his dividend in gold. Would not the tenant have a right to say, 'as a public creditor I am refused any other payment than in bank notes; but here is a legislator—one of those by whose act of Parliament I am thus refused to be paid except in bank notes—insisting upon my paying him his rent in gold, which I cannot procure; and because I cannot procure it, my goods are to be distrained?' Would not this be a grievous oppression? Surely so long as it should be expedient to continue the cash suspension act of 1797, this present bill must become a part of it; for otherwise there would be no equality in the situation of different contracting parties, nor would equal justice be dealt out to those who had an equal claim to it; as there could be no justice in leaving the tenant, who had tendered bank notes, exposed to be distrained upon by his landlord, whilst the debtor in other cases, who had tendered bank notes, was exempt from arrest. I am peculiarly situated with respect to this question, having the official care of twenty-five millions of the property of his majesty's subjects, and without the means

*The Edinburgh reviewer says of this questionable policy:

"All the other processes for recovering a debt in the legal coin of the realm were left open; which was, in our opinion, clearly and distinctly to point out the precise remedies which the legislature intended should be taken, if at any time the currency really became depreciated, and the debtor proposed to pay his creditor in a medium decidedly of less value *than that in which he had contracted to pay him.*"

This depreciation of the Bank of England issues was attributed to the suddenly increased circulation. The reviewer says: (p. 452, May, 1811.)

"And lastly, the paper issues of the Bank of England have, during the short space of the last three years, received an addition of more than ONE-THIRD of this amount in 1808; while for the whole course of six years before, that is, from 1802 till the latter end of 1808, the average amount had been nearly stationary."

This increase was accompanied by an increase of dividend from seven per cent. per annum (1788 to 1806) to TEN per cent. from 1807 to 1821.

The bank stock which, in 1797, 1798, was quoted at 115 to 145, suddenly increased in 1806 to 223; in 1807, to 235; and in 1809, (pending the enlarged volume of the circulation,) to 288 per cent., or 188 per cent. advance on the par value.

of enforcing the payment of any part of that sum except in bank notes."

The bill, which was limited to the 25th of March, 1814, passed, and enacts "that the taking of gold coin at more than its value, or bank notes at less, shall be deemed a misdemeanor."

A protest was entered, "as manifestly tending to the compulsory circulation of a paper currency; a measure necessarily productive of the most fatal calamities." Lord HOLLAND added, that "he made it also, because, in his judgment, the repeal of the cash suspension act was the only means which could cure the yet greater calamities which were impending, from the present state of the circulation of the country."

At one period in 1811* the market price of gold touched £5 11s., and the bank note sunk to 14s. A regular traffic was maintained; guineas were bought at a premium, and bank notes sold at a discount. In spite of Lord STANHOPE's act, the traffic continued. While the mint coined, there were always exporters ready to take advantage of the exchanges; it was, indeed, according to one of the members, only a contest which would tire first. "The havoc which the depreciation had made with all the dealings of men," says Lord BROUGHAM, "was incalculable. Those who had lent money when the currency was at par, received the depreciated payment, and lost thirty or forty per cent. Those who had granted leases received only two-thirds of their interest, and were liable to be paid off with two-thirds of their capital." The following will give some idea of the necessity of the restrictions which had been so often placed on specie payment. "BONAPARTE," says "KNIGHT's History of England," "never took the field without carrying an immense military chest with him, and this chest, from obvious motives of convenience, was always filled and replenished with gold. On starting on a campaign, the French officers, and even those of the soldiers who had money, were all eager to convert it into gold, some of which was carried with them, and some secreted at home. In France, all cautious persons accumulated all the gold specie they could, to conceal and keep it for the evil hour. Nearly all over the continent the insecurity of property, and the dread of forced contributions, and of less regular plunder, had induced the habit of hoarding and hiding; and gold was bought up and sought for at a constantly increasing price, to be buried in the earth or concealed in secret recesses.

* With the exception of the misery occasioned by the destruction of the assignats in France, we do not think that the misery and subversion of private fortunes, occasioned by the late sudden reduction of bank paper in this country, has ever been paralleled. Nor was this misery of a temporary or evanescent character. Its pernicious effects will long continue to be felt, not only by individuals, but by the nation at large. During the period in which the depreciation was greatest, the State borrowed several hundred millions. And it will now have this money, which was borrowed when a bank note was not worth more than 14s. or 15s., to pay, when its value is at par. All those taxes, too, which were imposed when the currency was thus reduced, must now, though not nominally, be really increased. And it may be questioned, whether, making allowance for the difference in the value of money, the country was not less heavily burdened in 1812 and 1813, than it is at this moment, notwithstanding we have now got rid of the income tax and war malt duty.—*Edinburgh Review*, 1818.

In this matter, as in others, Europe was returning to her ancient barbarism, or to the condition of the despotic nations of the earth, where so large a proportion of the precious metals is constantly withdrawn from circulation and kept hidden. In 1812 and 1813,* as much as six Spanish dollars could be obtained in any part of the Mediterranean for an English guinea. With such a temptation to send gold abroad, it was not likely that English traders and speculators should be prevented from sending gold to the best market. Even in England, Scotland and Ireland, the practice of hoarding specie, during the whole of this revolutionary war, was far from being uncommon. Again, every English officer, traveller, or merchant, that went abroad, endeavored to carry with him some gold, as a *corps de reserve*, in case of capture by the enemy, or of other accident. Through all these causes united, a guinea, half a guinea, or seven shilling piece had become a rare sight in Great Britain."

A rise of ten per cent. in the current value of the stamped dollar took place in the same year. In consequence of the advance in the price of gold, the dollars circulated by the bank sold for more, as bullion, than their rate as coin. To remedy this evil, a notice was published by the directors that they would receive all bank dollar tokens at the rate of 5s. 6d. each, instead of 5s. The same notice advertised that, for the future, they would be issued from the bank at the increased price. Some of the members of the House of Commons animadverted strongly upon this announcement; but they were silenced by the reply of Mr. MANNING, one of the directors, "that the arrangement would cost the bank fifty thousand pounds, and put as much into the pockets of the public." In the latter part of the year, in consequence of great inconvenience experienced from the absence of small change, the bank issued large quantities of silver tokens at 5s. 6d., 3s. and 1s. 6d.

The extensive circulation of these tokens rendered some protection from counterfeits necessary. A bill was, therefore, passed to this effect, and Lord STANHOPE's act of the previous year was continued until three months after the opening of the next session. A clause was proposed by Lord ARCHIBALD HAMILTON for confining the dividend of profits to proprietors of the bank to £10 per cent., in order to give them an interest in the recommencement of specie payment. This was negatived; and Mr. SPENCER PERCIVAL carried an amendment in its place, by which the landlord was deprived of the right of ejectment after a tender of bank

* But it would be worse than idle to set about proving by argument a fact so notorious as the prodigious diminution of bank paper in 1814 and 1815. In this period above two hundred and forty country banks became altogether bankrupt, or at least stopped payment. The Board of Agriculture estimated, that in the county of Lincoln alone, above *three millions* of bank paper had been withdrawn from circulation; and the total diminution of the currency during 1814, 1815 and 1816, has never been estimated at less than *twenty millions*, though it probably amounted to much more. Mr. HORNER, the accuracy and extent of whose information cannot be called into question, made this statement on the subject, in his plan in Parliament:

The diminution of the issues of paper is the grand point to be accomplished; and from whatever quarter it may come, or from whatever point it may be prompted, we shall hail it with joy and gladness, as the only specific for the present disordered state of the currency.—*Ed. Rev., Dec., 1818.*

notes from the tenant, and, in 1814, the bill of Lord STANHOPE was protracted during the bank restriction act.

The frequent motions made by Mr. PASCOE GRENFELL relative to the Bank of England, some to limit the profits, and others to procure accounts and documents from the corporation, must be familiar to the readers of parliamentary history. Though the motions were almost invariably negatived, and the good or evil tendency of a regular publication of the affairs of the establishment is a disputed question, there can be little doubt, from the decided ability with which they were conducted, that they tended greatly to prepare the public mind for the system which prevails at present. Among other things, he contended that the bank did not pay sufficient stamp duty, and, in 1815, the chancellor of the exchequer announced that he had negotiated with the bank on the subject of a composition for stamps on their notes, the result of which would be communicated. The arrangement formed was on the average of the circulation during the preceding year—the principle being that the bank should pay £3,500 for every million sterling issued of their paper.

On the 21st of February, 1814, the Bank of England and its neighborhood wore an appearance of great excitement. The military operations of BONAPARTE, by which he checked the great allied powers, had depressed the funds. Deep anxiety for the result was felt throughout England. On that day, however, although what is termed “a private day,” the clerks in all the stock offices of the establishment were busily employed in preparing transfers, which, contrary to the custom on such a day, poured in from the members of the stock exchange. Reports and rumors spread rapidly. Many of the transfers remained unfinished, as a plot, intended to deceive all London, was discovered in time to prevent their execution. The following is a brief narration of this important conspiracy.

On the 21st of February, 1814, about one o'clock in the morning, a violent knocking was heard at the door of the Ship Inn, at Dover. On being opened, the intruder announced himself as Lieutenant-Colonel DU BOURG, aide-de-camp of Lord CATHCART. His dress supported the assertion. The richly-embroidered scarlet uniform, the star on the breast, the silver medal suspended from his neck, the dark fur cap, with its broad band of gold lace, gave the wearer a military appearance. His clothes appeared wet with the sea spray, and he stated that he had been brought over by a French vessel, the seamen of which were afraid of landing at Dover, and had placed him in a boat about two miles from the shore. His news was important. BONAPARTE had been slain in battle. The allied armies were in Paris. A great victory had been gained, and peace was certain. He immediately ordered a post-chaise and four horses to be prepared, inquired the residence of Admiral FOLEY, and, with the appearance of great haste and excitement, wrote the following letter :

“*To the Right Hon. T. FOLEY, Port Admiral, Deal :*

“Sir,—I have the honor to acquaint you that *L'Aigle*, from Calais, PIERRE DUQUIN, master, has this moment landed me near Dover, to pro-

ceed to the capital with dispatches of the happiest nature. I have pledged my honor that no harm shall come to the crew of *L'Aigle*. Even with a flag of truce, they immediately stood for sea. Should they be taken, I entreat you immediately to liberate them. My anxiety will not allow me to say more for your gratification than that the allies obtained a final victory; that BONAPARTE was overtaken by a party of SACHEN'S Cossacks, who immediately slaid him, and divided his body between them. General PLATOFF saved Paris from being reduced to ashes. The allied sovereigns are there, and the white cockade is universal. An immediate peace is certain. In the utmost haste I entreat your consideration, &c. Signed,

“M. DU BOURG,

“*Lieutenant-Colonel, and Aide-de-Camp to Lord CATHCART.*”

A special messenger was dispatched to Deal; and the letter reached the admiral between three and four o'clock. The morning proved foggy, the telegraph could not work, and Admiral FOLEY was saved from an involuntary deception. Directly the letter was forwarded, DU BOURG entered the post-chaise, and, with every appearance of haste, departed for London. Wherever he changed horses the news was spread, and the post-boys rewarded with napoleons. On his arrival at Bexley-heath, the intelligence was acquired that the telegraph could not have acted; on which he told them not to drive so fast. He then added that the war was over; that BONAPARTE was cut into a thousand pieces; and that the Cossacks fought for a share of his body. At the Marsh-gate, Lambeth, he entered a hackney-coach, after informing the post-boys that they might spread the news as they returned. In the mean time information reached the stock exchange; and by a little after ten it was filled with rumors of general officers, dispatches for government, victories and post-chaises and four. Expresses from the various places where DU BOURG had changed horses poured into the principal speculators. The funds rose on the news. Application was made to the lord mayor, but, as his lordship had received no intelligence, they declined.

On the morning of the same day, about an hour before daylight, two men, in the habiliments of foreigners, landed in a six-oared galley, called on a Mr. SANDON, at Northfleet, and handed him a letter, purporting to be written by one whom he formerly knew, begging him to take the bearers to London, as they had great public news to communicate. The request was complied with. Between twelve and one o'clock in the afternoon of that day, three persons, two of whom were dressed as French officers, proceeded in a post-chaise and four, the horses of which were bedecked with laurel, over the then narrow and crowded thoroughfare of London bridge. While the carriage proceeded with an almost ostentatious slowness, small billets were scattered among the anxious gazers, announcing that BONAPARTE was dead, and the allies in Paris. Through busy Cheapside and crowded Fleet-street, the occupants of the carriage paraded their intelligence. They passed over the fine bridge of Blackfriars, drove rapidly to the Marsh-gate, got out, took off their military, put on round hats, and speedily disappeared. The news again spread

far and wide. The neighborhood of the stock exchange was once more full of exaggerated reports. The funds rose. What could resist such accumulated evidence? The aide-de-camp of Lord CATHCART, at Dover; two foreigners at Northfleet with dispatches; private expresses from various places, all tended to convince the members that there must be some foundation for the reports. Application was made to the ministry, but they knew nothing. Large bargains were made. The scene at the stock exchange is described by those who witnessed it as baffling all description. Yet still there was some doubt, so long as government remained ignorant of the important intelligence. And as hour after hour of anxious doubt passed by, it would be difficult to imagine the feelings of many who had suffered from the delusion. "To this scene of joy," says one, "and of greedy expectation of gain, succeeded, in a few hours, that of disappointment, shame at having been gulled, the clenching of fists, the grinding of teeth, the tearing of hair, all the outward and visible signs of those inward commotions, of disappointed avarice in some, consciousness of ruin in others, and, in all, boiling revenge." A committee was appointed by the stock exchange, and various circumstances tending to prove a conspiracy were discovered. On the Saturday preceding the Monday on which the deception was attempted, consols and omnium, to the extent of £826,000, were purchased for various individuals, many of whom were seriously implicated. A name known and loved in England was said to be included. Lord COCHRANE, endeared to the English people by the most gallant naval successes ever achieved, was, on the 21st of June, 1814, tried with some others at the Court of Queen's Bench, and sentenced to twelve months imprisonment. His lordship and another were fined £1,000 each. They were also, in addition, to stand one hour in the pillory; but this was remitted. The decision, with regard to Lord COCHRANE, (now Earl of Dundonald,*) excited great animadversion. A conviction was very generally expressed that there was some doubt, and the public feeling was disposed to accord him the benefit. This might, perhaps, have been a national sympathy towards one of the most gallant sailors in the royal navy. The actions of Lord COCHRANE have been rarely surpassed; and if, as he always steadily affirmed, and as many circumstances tend to prove, he was more sinned against than sinning, it is one of the most melancholy instances in modern record of great achievements being followed by great misfortunes. The name of COCHRANE, for the last thirty years, has been associated with fraud, because mankind are too prone to take on trust the traditions of their fathers. It is pleasant to be able to add, that the present sovereign has rewarded his lordship for his past sufferings, and evinced her belief in his innocence by restoring to him those honors of which he should never have been deprived.

* Public opinion subsequently acquitted Lord Dundonald of participation in the stock-jobbing movement. He died in December, 1860.

CHAPTER XVI.

PEACE OF 1815—CONTINUATION OF BANK RESTRICTION—COMMERCIAL DIFFICULTIES—
BONUS ON THE BANK CAPITAL—PARTIAL RESUMPTION OF CASH PAYMENTS—BULLION
COMMITTEE—LEGAL DECISIONS—MR. PEEL'S CURRENCY BILL—RETURN TO CASH PAY-
MENTS—THE DEAD WEIGHT—PENSION LIST—DIMINUTION OF DIVIDEND—PARLIAMEN-
TARY DISCUSSION—FORGERY OF FAUTLERROY.

IN 1815 a universal song of triumph arose, from the prospect of that peace which had been denied to Europe for nearly a quarter of a century.* The terrible excitement of "the hundred days" had passed. The earth ceased to be nourished with human blood. The field of Waterloo, that field which was described by the great man there as a "battle of giants," had darkened every gleam of hope for him who in three years had destroyed the compact strength of Austria, crushed the military power of Prussia, and, by forcing the czar to sign the treaty of Tilsit, had placed the sceptre of the continent in his own hands. Throughout the world there was a general yearning after repose. The sight of an empty treasury was attended to when the voice of humanity was scoffed at. The tranquillity, which gave independence to Holland and freedom to the Swiss, which rewarded the guerilla of the Spanish hills and the patriot of Portugal for their unyielding defence of their country, was of no less importance to England. The relations of commerce, "the golden chain of nations," which tend to bind the whole earth in one tie of brotherhood, were once more resumed. Since then, civilization has asserted its proper influence. The development of science, for social benefit, its true end and aim, has rapidly progressed. The poor man is no more regarded as a serf. The horrors of war, and the ancient antipathies of nations, are passing into traditions. "Poverty preserved the peace of Europe," says an eloquent writer. The gold† which had kept

* The treaty of peace with the United States had been signed at Ghent, Dec. 24, 1814.

† Gold at one time (1812) reached £5 8s., a difference of 30 per cent. The annexed table shows the changes from 1809 to 1821. (DOUBLEDAY'S *Financial History of England*, p. 277.)

YEARS.	Price of Gold.		Diff'ce from Mint Prices.	Nominal Taxes.	Amount in Gold Cur'ey.
	£	s. d.			
1809,.....	4	9 10	.. 16½ per ct.	.. 71,887,000	.. 60,145,000
1810,.....	4	5 0	.. 9 1-10 "	.. 74,815,000	.. 68,106,000
1811,.....	4	17 1	.. 24½ "	.. 73,621,000	.. 55,583,000
1812,.....	5	1 4	.. 30 "	.. 73,707,000	.. 51,595,000
Sept. to Dec., 1812,.....	5	8 0	.. 38½ "	.. ..	.. ..
1813,.....	5	6 2	.. 36 1-10 "	.. 81,745,000	.. 52,236,000
Nov., 1812, to Mch., 1813,.....	5	10 0	.. 41 "	.. ..	.. ..
1814,.....	5	1 8	.. 30½ "	.. 83,726,000	.. 58,333,000
1815,.....	4	12 9	.. 18 8-9 "	.. 88,394,000	.. 66,698,000
1816,.....	4	0 0	.. 2½ "	.. 73,909,000	.. 72,062,000
Oct. to Dec., 1816,.....	3	18 6	.. under 1 "	.. ..	.. ..
1817,.....	4	0 0	.. 2½ "	.. 58,757,000	.. 57,259,000
1818,.....	4	1 5	.. 5 "	.. 59,391,000	.. 56,025,000
1819, 4th Feb.,.....	4	3 0	.. 6½ "	.. 58,288,000	.. 54,597,000
1820,.....	3	17 10½	.. par.	.. 59,812,000	.. 59,812,000
1821,.....	3	17 10½	.. par.	.. 61,000,000	.. 61,000,000

the despot at bay, had been gained in greater proportions from the artisan and the sons of the soil, than from the master manufacturer or the country gentleman. The war, indeed, had affected all classes; and the Bank of England, in its different departments, had experienced its effect. The funds, which had drooped or risen from hour to hour, as good or bad fortune prevailed, had created business to an extent varying with the excitement of the period. The large advances to the State, the cessation of cash payments, the general prosperity of trade, made a period of hostilities a period of profit. The prospect, therefore, of recommencing payments in specie, to accomplish which it would be necessary to collect a large amount of bullion, was an important consideration. On the restoration of peace, however, the restriction was continued by a new act, until the 5th July, 1816, and was again renewed until July, 1818.

In 1814 the State repaid the three millions advanced in 1800 without interest, and continued in 1806 at three per cent., until six months from the ratification of peace.* The three millions also, lent without interest in 1808, became due in December, 1815. This money had been advanced principally in consideration of the large public balances in the bank. In consequence of these deposits remaining undiminished, the chancellor of the exchequer addressed a letter to the governor, claiming the continuance of the loan until April, 1816. This proposal was produced before a general court of proprietors, and agreed to.

A long list of declarations was entered on the books of the House of Commons, by Mr. MELLISH, affirmatory of the services rendered by the corporation to the State. It was chiefly enumerative of those which have been already alluded to, and were the result of some resolutions proposed

* In the fourteen years, from 1801 to 1814, the British army, navy and ordnance, had cost £650,000,000. To show the enormous burdens upon the English people at the close of the continental war, (1815,) when the population of the United Kingdom did not exceed twenty millions, it is only necessary to say, that the annual expenditure exceeded one hundred and twenty millions sterling, or about £6 per head. Their income was derived from the following sources. (See *British Annual Register for 1816*, pp. 429, 430. ALISON'S *Europe*, vol. 4, p. 589, *N. Y. edition*.)

Customs,	£ 14,648,700
Excise,	30,107,000
Stamps,	6,492,800
Property tax, land and assessor's taxes,	23,189,000
Post-office,	2,350,000
Miscellaneous,	9,934,500
	<hr/>
Total taxes levied,	£ 86,722,000
From loans, year 1815,	39,422,000
	<hr/>
Total, year 1815,	£ 126,144,000

Mr. PITT contemplated the extinction of the whole public debt before the year 1846, by the operation of the sinking fund, and had provided means, which, if steadily adhered to, would unquestionably have produced that result even at an earlier period; the disastrous effects which have actually occurred from this mode of contracting so large a portion of the debt are not to be charged so strongly as an error in his financial system. In the contracting of loans, present relief was, in his estimation, the great object to be considered, because the means of certainly redeeming them within a moderate period, on the return of peace, were simultaneously provided.

by Mr. GRENPELL. Among others was one which stated that, during the existence of the income tax, the bank had made the calculations on the dividend warrants, deducted the money from the interest of the fund holders, and paid it in, without charge, to the account of the government, and that, in one year, the number of warrants from which this reduction had been made amounted to 565,600. The cost of this was very great; but it bore no comparison whatever to the enormous saving effected by the government, through the interference of the corporation.

The distress of 1811 had been relieved. The expulsion of the French from Portugal, and the noble achievements of our army in Spain, had once more unclosed the trade with the Peninsula. These, with other causes, again produced the temptation to over-trade. "The departure of the French from Portugal," says an authority of the day, "has once more opened commerce with that country; and vast quantities of goods of the manufacture of Great Britain are now shipping for Lisbon and Oporto." "Large orders for all kinds of woollen, linen and cotton goods, have arrived here for Portugal and South America." The warehouses were soon filled, though not with so much rapidity as in the first trade to South America. "It was not yet marked," says Mr. TOOKE, "by such eagerness of speculative shipment as had distinguished 1808 and 1809.*" A sufficient quantity was, however, exported to glut the markets; prices were ruinously

* In order to attain to some definite idea of these things, it will be necessary to look at the documents which go to prove them. Let us look at the extreme range of prices of wheat and other grain in 1809—1810, when the bank issues were increased, in A. D. 1815.—DOUBLEDAY'S *Financial Hist. England*, p. 157.

An account of the average prices of all sorts of grain from 1792 to 1815, inclusive, laid before Parliament.

YEARS.	Wheat.		Rye.		Barley.		Oats.		Beans.		Peas.						
	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.					
1792,.....	42	11	..	30	8	..	26	9	..	17	7	..	31	6	..	32	8
1793,.....	48	11	..	35	11	..	31	9	..	21	3	..	37	8	..	38	4
1794,.....	51	8	..	37	9	..	32	10	..	22	0	..	42	6	..	46	8
1795,.....	74	2	..	48	5	..	37	8	..	24	9	..	46	8	..	53	4
1796,.....	77	1	..	47	0	..	35	7	..	21	9	..	38	10	..	43	6
1797,.....	53	1	..	31	11	..	27	9	..	16	9	..	27	6	..	33	5
1798,.....	50	3	..	30	11	..	29	1	..	19	10	..	30	1	..	35	11
1799,.....	67	6	..	43	9	..	36	0	..	27	7	..	44	7	..	45	2
1800,.....	113	7	..	76	11	..	60	0	..	39	10	..	63	3	..	67	5
1801,.....	118	3	..	79	9	..	67	9	..	36	6	..	62	8	..	67	8
1802,.....	67	5	..	43	3	..	33	1	..	20	7	..	36	4	..	39	6
1803,.....	56	6	..	36	11	..	24	10	..	21	3	..	34	8	..	38	6
1804,.....	60	1	..	37	1	..	30	4	..	23	9	..	38	7	..	40	10
1805,.....	87	10	..	54	4	..	44	8	..	28	0	..	47	5	..	48	4
1806,.....	79	0	..	47	4	..	38	6	..	25	8	..	43	9	..	43	6
1807,.....	73	3	..	47	6	..	38	4	..	28	1	..	47	3	..	55	11
1808,.....	79	0	..	52	4	..	42	1	..	33	8	..	60	8	..	66	7
1809,.....	95	7	..	60	9	..	47	3	..	32	8	..	60	9	..	60	2
1810,.....	106	2	..	59	0	..	47	11	..	29	4	..	53	7	..	55	9
1811,.....	94	6	..	49	11	..	41	10	..	27	11	..	47	10	..	51	6
1812,.....	125	5	..	75	11	..	66	6	..	44	0	..	72	8	..	73	7
1813,.....	108	9	..	70	7	..	58	4	..	39	5	..	76	5	..	78	6
1814,.....	73	11	..	44	6	..	37	4	..	26	6	..	46	7	..	50	0
1815,.....	64	4	..	37	10	..	30	3	..	23	10	..	36	1	..	38	10

low, and goods were sold on terms which scarcely paid the charges of insurance and shipment.

Circumstances connected with the South American speculations have, perhaps, been too lightly passed over. They form an episode in history which approaches nearly to romance, and, therefore, call for a brief record. Tempted by the reports, which were plentiful, of the wealth and weakness of the Spanish colonies, Sir HOME POPHAM set sail from the Cape of Good Hope, which he had just taken, for South America, and, on his arrival, attacked and carried Buenos Ayres. The adventure had been undertaken on the sole authority of Sir HOME; and knowing that success is often the great justifier, he sent a circular manifesto to the merchants and manufacturers of Great Britain, which occasioned much excitement. A land, abounding with gold, had been conquered; a whole continent was open to British enterprise. A million of dollars was sent to London, and a sufficient amount was retained for contingent expenses.

When information of the wild expedition first arrived in London, orders were sent to recall Sir HOME; but when the news of the conquest arrived, when the dollars came home, and the commercial prospects were known, an order of council was gazetted, stating that a lawful trade might be carried on in Buenos Ayres and its dependencies. The trading interest was filled with exultation, and Sir HOME POPHAM's adventure was sanctified by success. "Ministers sanctioned the whole scheme," says an historian; "but before people at home had finished rejoicing for the conquest, the conquest was no more, and the capturers captive." A popular insurrection was organized, and Sir HOME narrowly escaped being made prisoner in the place which he had carried with a mere handful of men; while those who had sent their merchandise keenly lamented their thoughtless confidence.

Mr. TOOKE says, in his "History of Prices," "that from 1814 to 1817* there was a considerable depression in nearly all productions, and in the value of all fixed property." In Holland our goods were bought cheaper than in England, and many merchants purchased them for home consumption. In 1815 and in 1816 there were 5,014 bankruptcies, 63 of which were bankers; the number of stoppages and compositions being probably in proportion.

The various periods of excitement and depression from 1797 to 1816, during the whole of which the company had been restrained from paying its notes in gold, appear to have worked altogether beneficially for the interests of the proprietors of bank stock. The years 1799, 1801, 1802, 1804 and 1806, had each produced a money bonus. In the following year the regular dividend was raised from seven to ten per cent. These modes of enlarging the profits of the proprietary were legitimate and just. In 1816 a bonus of a more extraordinary kind took place. It can indeed be only accounted for by the constant success which had attended the company, by the large gains which accrued to them as the great circulating medium of the country, and above all by there being no necessity to keep a large amount of bullion to meet the payment of their notes. The interest saved by the latter circumstance alone must have

* The extraordinary fluctuations in the value of goods during the inflation of

amounted to an enormous sum, and these facts, united, must be accepted as some cause for the policy which dictated the announcement that an addition of twenty-five per cent. would be made upon the capital stock of each proprietor, in proportion to his share. An act of Parliament was necessary to carry this into effect, and the bank directors were authorized to increase the capital from £11,642,400 to £14,553,000, at which amount it now remains.

It was not possible for the ministry to witness such an evidence of wealth without endeavoring to partake of it. They compelled the bank, therefore, in return for this permission, to give a bonus to their proprietors, to lend three millions at three per cent. for two years, thus making them pay about eighty thousand pounds for the privilege of dividing their own capital, although the chancellor acknowledged, "This is, in other words, only granting permission to the proprietors to divide among themselves three millions of their own money, in consideration of their advancing a similar sum for the public service."

The policy of this bonus is not even questionable. It has entailed a heavy charge upon the management of the bank since that period. The interest of three millions at ten, eight and seven per cent. respectively, has necessarily pressed on its resources. The prosperity, however, which had marked the progress of the corporation from 1797, the continuance

paper money, in 1808—1812, compared with the specie quotations of 1792, are indicated in the annexed table: [The term *fodder* or *fother* is a local weight, equivalent to about 2,400 lbs.—WEBSTER.]

YEARS.	<i>Tin.</i>		<i>Lead.</i>		<i>Leonesa Wool.</i>		<i>Tallow.</i>		
	<i>Cwt.</i>		<i>Fodder.</i>		<i>per lb.</i>	<i>per lb.</i>	<i>Cwt.</i>	<i>Cwt.</i>	
	s.	d.	£	s.	s.	d.	s.	s.	
1792,.....	92	6	20	5	4	6 to	4	10	42 to 43
"	103	6	18	0	3	7 "	4	10	46 " 47
1794,.....	103	6	20	5	3	8 "	4	10	38 " 39
"	100	6	18	0	3	6 "	3	10	50 " 51
1796,.....	101	6	21	10	3	8 "	4	3	68 " 70
"	102	6	20	10	3	8 "	4	0	58 " 60
1798,.....	102	6	19	10	3	10 "	4	4	49 " 50
"	100	6							56 " 57
1800,.....	104	0	22	10	4	0 "	4	9	58 " 59
"	110	0	24	10	4	7 "	5	4	66 " 68
1802,.....	114	6	28	0	5	9 "	6	0	63 " 64
"	115	6	33	10	5	10 "	6	3	64 " 66
1804,.....	115	6	33	0	6	6 "	6	9	68 " 69
"			33	10					70 " 71
1806,.....	128	6	41	0	6	7 "	6	9	66 " 67
"			38	0					54 " 55
1808,.....	118	6	38	0	6	7 "	6	9	70 " 71
"	120	6	43	0	10	0 "	10	6	110 " 112
1810,.....	128	6	38	0	13	0 "	14	0	83 " 84
"	174	0	33	0	7	0 "	8	0	64 " 65
1812,.....	139	6	30	0	8	6 "	10	0	72 " 84
"	131	6	29	0	8	6 "	9	6	64 " 65
1814,.....	174	6	30	0	8	0 "	9	0	107 " 110
"			32	0					" "
"	168	6	34	0	7	0 "	8	0	87 " 88
1815,.....	148	6	28	0	7	6 "	8	0	81 " 82
"	152	6	25	0	6	0 "	7	0	59 " 60

of the war, the demand for discounts, the large circulation of its issues, must be received as an apology. The time named for the return of cash payments had two years to run. The war, which had tended to enrich the company for so many years, might again break out. Their charter embraced a considerable period before its expiration. All these circumstances, combined with the great success that had hitherto distinguished the career of the institution, tended, doubtless, to produce a mental intoxication, resulting in an act which, though favorable to the proprietary in many respects, caused a fall in the price of their stock. The period was equally beneficial to other corporations. The private bankers* benefited. The merchant made larger gains. The employee was paid a higher salary. The master made more profits. The servant received increased pay. And amid all this scene of public welfare the bank alone was censured for advantaging with the rest, and was accused in the House of Commons of being favored too much by government, because prosperity followed in the wake of skill. A reference to the dates when many of the existing companies were founded will show that they owe their existence to this period. The principle of life assurance, that principle which cannot be urged too strongly, received a further impulse; and the origin of many of those companies now holding a high position, may be traced to the general enterprise excited by war prices and war profits.

In 1817 the directors, desirous, perhaps, of testing the feeling of the public with regard to metallic payments, announced, that after the 2d of May of that year, they would pay cash for all their notes of one and two pounds, dated prior to the 1st of January, 1816, or exchange them for new notes of the same value. The confidence, however, of the public was great, and scarcely any demand was made on their coffers. In October of the same year a further notice was issued, that on and after the 1st day of October, they would be ready to pay gold for all their notes dated prior to 1st of January, 1817.† Every exertion, since the commencement of peace, had been made to resume specie payment with safety. The collection of bullion had been rapid, and to a large amount; and it was soon found that these precautionary measures had not been thrown away. The difference between a legitimate demand for gold by the public, and a demand for the same material by speculators, was rapidly witnessed.

* At the period of the crisis of 1797 the number of country banks has been stated at about *two hundred*. There were no licenses required for banking at this time, nor until the year 1808. In 1809 *seven hundred and two* licenses were granted to country bankers; and from that time they increased, year by year, to *nine hundred and fifty*, in the year 1814; since which period they have decreased. Thus, then, in the period between 1797 and 1815 the country banks have been nearly *quintupled*; an enormous increase, and startling even to a rash calculator. We must not, however, fall into the grievous error of imagining that this increase implied a quintuple issue of country notes.—DOUBLEDAY'S *Financial History of England*, p. 234.

† There cannot, we conceive, be a grosser error than to suppose that the government will have a greater command of bullion for its foreign expenditure, if the domestic circulation be confined almost exclusively to paper. The actual store of the precious metals which a country may possess, though of the greatest use and ad-

When the one and two pound notes, that description of paper held principally by the poor man, were called in, the amount of cash claimed was not more than one million. When, however, it was announced that all notes prior to a particular date would be paid in specie, the bullion speculator stepped in, took advantage of the exchanges, and sent more than five millions to the continent. On the report of Mr. PEEL, the house passed a bill in two nights, restraining the bank from paying the notes alluded to.

That a great increase in bullion tended to justify this measure is indisputable. In 1816 and 1817, some of the country bankers found it difficult to dispose of their coin. Preference was shown to their notes; and it cost one firm £100 to transmit its surplus specie to London. At another period, in bringing one thousand guineas to a London banker, the latter begged as a favor that the gold might not be left, as he had sent so much to the bank, and did not like to trouble the establishment with any more.

During the imperial career of BONAPARTE,* it had been his favorite idea that England would be eventually rendered powerless, by draining her of gold. In this he was strengthened by the language held by the opponents of government, and especially by the report of the Bullion Committee. In KNIGHT'S "History" we read: "The members of the parliamentary opposition and the opposition newspapers had assured the world that Great Britain was altogether incapable of continuing a struggle which was draining up her resources; that she was exhausted and impoverished; and that every effort she made against the power and will of France, only hurried on her final ruin. But here was a voice of another kind; here a committee of the House of Commons, composed of men of name and reputation, some of whom had recently belonged to the ministry, declared in a report to the whole country, that the paper currency was depreciated, was becoming every day more and more like the *assignats* of the French revolutionists, and that the only remedy that could be proposed was the impracticable and impossible resumption of cash payments; here a noble lord, who was lately prime minister, supports the principles laid down in the report; here another noble lord tells his tenantry he will not take depreciated bank notes for his rent,

vantage in any sudden demand, occasioned by an unfavorable balance of payments, can never be sufficient to supply a continued foreign expenditure of any magnitude. The means of expenditure, if we suppose that bullion must form a part of it, can only be abundant, when, as fast as the precious metals are sent out in one quarter, a steady supply of them flows in from other quarters. But this, of course, can only happen when *bank notes and guineas are precisely of the same value*, and when, instead of the scanty influx, occasioned by the precarious and uncertain wants of government, a large and steady demand for bullion, to maintain the accustomed circulation, produces its invariable concomitant—a large and steady supply.—*Edinburgh Review*, 1819, p. 461.

* England had borrowed five hundred millions sterling during the BONAPARTE war, ending in 1815, and the revenue had reached the enormous sum of seventy-two millions sterling, when the population and wealth of the nation were scarcely two-thirds what they are now.

Table showing the reduction of the national debt in every year, from 1786 to 1816; the stock redeemed by them each year; the loans contracted, with the public

and finds other peers ready to back him, and support the argument that a national bankruptcy is imminent and inevitable. These men must know better than we the real state and prospects of the country. *Allons* then! let us persevere a little longer; let us burn all English merchandise, wherever found; let us punish all who attempt to bring English goods into the continent, and for the triumph of this great system let us brave and despise the remonstrances and the enmity of the czar." "Yet, after all, the bullionists may be said, without perhaps intending it, to have done a fatal injury to the emperor of the French, for through them he was encouraged to persevere, and even to attempt to coerce the czar, and hence followed the Russian campaign, and the disastrous retreat from Moscow."

Another attempt was made, in 1818, to procure a dividend of the entire gains* of the corporation. NATHANIEL GRUNDY, having been negatived in his endeavor in the bank parlor, had recourse to the Queen's Bench, where he met with that success which the nature of his application merited. It is difficult seriously to entertain the idea of dividing all the profits of an establishment like the bank, liable to pecuniary calls of great magnitude; and the affair may be dismissed as an evidence of the shortsightedness of those who would act either without evidence by which to judge, or capacity to comprehend the consequences.

revenue of the State for the same time.—MOREAU'S *Tables*; PERIER'S *Tables*, 153, 154, 246; *Parl. Pap.*, 1822, &c., 145; PORTER'S *Parl. Tables*, i., 1; COLQUHOUN, 292, 294.

YEARS.	<i>Sinking fund.</i>	<i>Stock redeemed by sinking fund.</i>	<i>Loans contracted.</i>	<i>Expenditure, including interest of debt, funded and unfunded, and sinking fund.</i>	<i>Revenue.</i>
1792.	£ 1,458,504 ..	£ 1,507,100 ..	.....	£ 16,179,347 ..	£ 16,382,435
1793.	1,534,970 ..	1,962,650 ..	£ 4,500,000 ..	17,434,767 ..	17,674,395
1794.	1,630,615 ..	2,174,405 ..	12,907,451 ..	22,754,366 ..	17,440,809
1795.	1,672,000 ..	2,804,945 ..	42,090,646 ..	29,305,477 ..	17,374,890
1796.	2,143,596 ..	3,083,455 ..	42,736,196 ..	39,751,091 ..	18,243,876
1797.	2,639,724 ..	4,390,670 ..	14,620,000 ..	40,791,533 ..	18,668,925
1798.	3,369,218 ..	6,716,153 ..	18,000,000 ..	50,739,857 ..	20,518,780
1799.	4,294,325 ..	7,858,109 ..	12,500,000 ..	51,241,798 ..	23,607,945
1800.	4,649,871 ..	7,221,338 ..	18,500,000 ..	59,296,081 ..	29,604,008
1801.	4,767,992 ..	7,315,002 ..	34,410,000 ..	61,617,988 ..	28,085,829
1802.	5,310,511 ..	8,091,454 ..	23,000,000 ..	73,072,468 ..	28,221,183
1803.	5,922,979 ..	7,733,421 ..	10,000,000 ..	62,373,480 ..	38,401,738
1804.	6,287,940 ..	10,527,243 ..	10,000,000 ..	54,912,890 ..	49,335,978
1805.	6,851,200 ..	11,395,692 ..	21,526,699 ..	67,619,475 ..	49,652,471
1806.	7,615,167 ..	12,234,064 ..	18,000,000 ..	76,056,796 ..	53,698,124
1807.	8,323,329 ..	12,807,070 ..	12,500,000 ..	75,154,548 ..	58,902,291
1808.	9,479,165 ..	14,171,407 ..	12,000,000 ..	78,369,689 ..	61,524,113
1809.	10,188,607 ..	13,965,824 ..	19,532,000 ..	84,797,080 ..	63,042,746
1810.	10,904,451 ..	14,352,771 ..	16,311,000 ..	88,792,551 ..	66,029,349
1811.	11,660,601 ..	15,659,194 ..	24,000,000 ..	94,360,728 ..	64,427,371
1812.	12,502,860 ..	18,147,245 ..	27,871,325 ..	99,004,241 ..	63,327,432
1813.	13,483,160 ..	21,108,442 ..	58,763,100 ..	107,644,085 ..	63,211,422
1814.	15,379,262 ..	24,120,867 ..	18,500,000 ..	122,235,660 ..	70,926,215
1815.	14,120,963 ..	19,149,684 ..	45,135,589 ..	129,742,390 ..	72,131,214
1816.	13,452,696 ..	20,280,098 ..	3,000,000 ..	130,305,958 ..	66,834,494

* In the year 1797, when the bank suspended, the price of bank stock was from 115 to 146. From that time to the end of 1800 the extremes were 118 to 176.

A curious scene took place in May at the bank. On the 26th of that month a notice had been posted, stating that books would be opened on the 31st of May, and two following days, for receiving subscriptions to the amount of seven millions, from persons desirous of funding exchequer bills. It was generally thought that the whole of the sum would be immediately filled, and great anxiety was shown to obtain an early admission to the office of the chief cashier. Ten o'clock is the usual time for public business; but at two in the morning many persons were assembled outside the building, where they remained for several hours, their numbers gradually augmenting. The opening of the outer door was the signal for a general rush, and the crowd, for it now deserved that name, next established themselves in the passage leading to the chief cashier's office, where they had to wait another hour or two to cool their collective impatience. When the time arrived a further contest arose, and they strove lustily for an entrance. The struggle for preference was tremendous; and the door, separating them from the chief cashier's room, and which is of a most substantial size, was forced off its hinges. By far the greater part of those who made this effort failed, the whole £7,000,000 being subscribed by the first ten persons who gained admission.

In 1819 a trial, well worthy recording, took place. Mr. RANSOM, an engraver, having paid a one pound note to a Mr. MITCHENER, the latter found it was detained by the bank, upon the ground of its being a forgery. Upon this, Mr. MITCHENER claimed a repayment of the amount from RANSOM, which was refused until the return of the note. Mr. MITCHENER immediately summoned him, and procured the attendance of Mr. FISH, an inspector of the bank, with the note in question. RANSOM requested to look at it, and permission having been granted, he deliberately placed it in his pocket, and avowed his intention of keeping it. An appeal to the magistrate was of no avail, as he declined to interfere; on which RANSOM went to MITCHENER's house, and paid the twenty shillings.

This style of treatment was rather too decided for the corporation quietly to permit; and FISH, it is to be presumed, at the instigation of the directors, made a charge in writing against RANSOM for knowingly having a forged note in his possession. On this the magistrate committed him to Cold Bath Fields, to remain there till duly discharged by law. After a few days' incarceration, he was liberated on bail. Mr. RANSOM, however, was not to be so quietly dismissed. He brought an action for false and malicious imprisonment against FISH; and, after producing several witnesses, the evidence of whom went to show the note was

From 1801 to 1810 the extremes were 136 (1803) to 288 (1809.) The extremes from 1807 to 1822 were as follows:

1807.....	208 @ 235	1815.....	219 @ 260
1808.....	224 @ 240	1816.....	215 @ 262
1809.....	235 @ 288	1817.....	220 @ 294
1810.....	273 @ 276	1818.....	207 @ 292
1811.....	229 @ 251	1819.....	210 @ 267
1812.....	212 @ 232	1820.....	215 @ 226
1813.....	211 @ 242	1821.....	221 @ 240
1814.....	234 @ 266	1822.....	235 @ 252

genuine, and no person being present from the bank to prove the contrary, as the directors were quite unprepared for this statement, the jury brought in a verdict for the plaintiff of £100. Previous to this period, it had always been the practice of the bank to detain the forged notes which were offered to them for payment, with the view of saving the public from being again imposed upon. Since the circumstances enumerated, however, the notes have been returned to the parties presenting them; the same beneficial result being obtained by stamping the word "forged" upon them in several places.

The value* of the bank paper, which, in 1815 and 1816, was about $16\frac{3}{4}$ per cent. below that of gold, rose, in 1817 and 1818, to within $2\frac{1}{2}$ per cent. of bullion; and, in 1819, the depreciation amounted to about $4\frac{1}{2}$ per cent. On 20th January, 1819, the directors submitted a resolution to government to the effect, that there was little probability of a return to cash payments by March, 1820, and that it would be preferable to submit to a parliamentary inquiry rather than to delude the public with an expectation not likely to be realized. A committee of secrecy was appointed; and after an examination of merchants, bankers and bank directors, from all of whom opposite opinions were elicited, the committee concluded by recommending a certain mode of action, embodied in a report which Mr. PEEL presented to the house. Lord BROUGHAM says, the attention of Parliament, chiefly through the press, was awakened to the state of our affairs. The government saw that something must be done to stop the depreciation† of bank paper, and to restore the standard. At length the government of Lord LIVERPOOL, under the influence of Mr. PEEL, who was one of its most powerful supporters, though not then in office, undertook the settlement of the question; and a committee was appointed, which, after a full investigation of the subject, re-

* It would be the obvious dictate of common sense and good policy to insist rigidly that the bank should so regulate its issues, as to produce the same equality between bank notes and guineas, as it would be compelled to do, if the restriction bill had not passed. But though the most obvious views of policy would dictate precisely the same remedy for the separation between guineas and bank notes, whether it arose from excessive issues of paper, or from a deficient supply of gold, yet it cannot but be a matter of considerable interest and utility to ascertain which of these two causes has actually produced the effect in question. And here we feel no doubt in pronouncing, that all the circumstances attending the peculiar state of our currency conspire to point clearly and unequivocally to an excessive issue of paper as its main, and, indeed, almost sole cause.—*Edinburgh Review*, 1819, p. 451.

† After the general peace was concluded at Paris, in 1814, the notes of the Bank of England, judging by the usual tests—the price of bullion and the state of the exchange—began to rise rapidly in their value. Towards the end of that year the price of gold had fallen to £4 5s. per ounce, though it afterwards rose to £4 10s., and the exchange with Hamburgh had improved in proportion. During this period, however, the circulation of the Bank of England had rather been increased than diminished, so that the increase value of bank notes could not have been the consequence of a diminished supply. No other cause can, therefore, be assigned for it, but an increased demand. The commerce of this country, contracted for several years before by violence and war, within the narrow circle of its own territory, was suddenly released from its restraints. The intercourse with the continent of Europe was now opened. British produce was exported in great quantities.—*Edinburgh Review*, Feb., 1816, p. 151.

ported in favor of an unqualified resumption of cash payments. By this report the bank were liable to pay, on

30th of January, 1819,.....	£ 33,894,580
While their assets were.....	39,096,900
	£ 5,202,320

Exclusive of the permanent debt due from government to the bank of £14,686,800, re-payable on the expiration of the charter.

The act, known so well as Mr. PEEL'S currency bill, passed in 1819, and was, perhaps, one of the most important of the kind which ever met the sanction of both houses of legislature.

A remarkable feature in its history is to be found in a petition from the merchants of the city of London, presented by the late Sir ROBERT PEEL, against the measure proposed by his son. After stating that his petitioners were the best calculated to judge on so important a point, and that a meeting, which he had attended for this purpose, was composed of the very men who had so nobly supported the government in 1797, he proceeded to say, in language as feeling as the subject was interesting, that "he well remembered when that near and dear relation was only a child, he observed to some friends who were standing near him, that the man who discharged his duty to his country in the manner which Mr. PITT did, did most to be admired, and was most to be imitated; and he thought, at that moment, if his own life and that of his dear relation should be spared, he would one day present him to his country to follow in the same path. He was well satisfied that the head and heart of that relation were in their right places; and that though he had deviated a little from the path of propriety in this instance, he would soon be restored to it."

When Mr. PEEL introduced this currency* act to the house, it was with one of those elaborate speeches for which his name is distinguished. After an elegant and powerful tribute to Mr. HORNER, he proceeded to state that the house must now resolve whether the old metallic standard should be restored or not, and he thought it impossible that any considerate man could hesitate on that question. One witness only had been an advocate for the indefinite suspension of cash payments, and had stated that the pound should be the standard of value. When required to define what he meant by the pound, his answer was, "I find it difficult to explain it; but every gentleman in England knows it; it is something that has existed, without variation, in this country for eight hundred years." Mr. LOCKE could not define what he meant by an abstract pound. Sir ISAAC NEWTON came to the doctrine that the true standard of value consisted in a certain quantity of gold bullion. Every sound writer arrived at the same conclusion. After an able historical exposition of the three distinct periods of difficulties which had stood in the way of the restoration of the standard of value, and a graceful allusion to the great public duty imposed upon them, from which he would not shrink,

* Table showing the amount of bank notes in circulation from 1792 to 1815, with the commercial paper under discount at the bank during the same period, and the

whatever might be his private feelings, he proceeded to the resolutions, which, after various forms and modes of opposition, were passed.

This memorable bill provides that, from the 1st of February to the 1st of October, the bank shall deliver on demand gold* of standard fineness,

gold and silver annually coined at the bank, with the exports, imports and revenue for the same period.

YEARS.	£5 notes in Circul'n.	Under £5.	Total of Notes.	Commercial Paper rendered at Bank.	Official value Im- ports from G't Britain.	Official value Ex- ports from G't Britain.	Revenue.
1792,	£11,307,350 ..	.....	£11,307,350 ..	.....	£19,659,358 ..	£24,904,850 ..	£17,864,464
1793,	11,388,910 ..	.....	11,388,910 ..	.....	19,659,357 ..	20,890,179 ..	17,707,983
1794,	10,744,020 ..	.....	10,744,020 ..	.....	22,294,893 ..	26,748,082 ..	17,899,294
1795,	14,017,510 ..	.....	14,017,510 ..	£2,946,500 ..	23,736,889 ..	27,128,388 ..	18,456,298
1796,	10,729,520 ..	.....	16,729,520 ..	3,505,000 ..	23,187,819 ..	30,513,918 ..	18,548,628
1797,	9,674,780 ..	£867,585 ..	11,114,120 ..	5,850,000 ..	21,018,956 ..	28,917,010 ..	19,852,646
1798,	11,647,610 ..	1,448,220 ..	13,095,830 ..	4,490,600 ..	25,122,203 ..	27,317,087 ..	30,492,995
1799,	11,494,150 ..	1,465,650 ..	12,959,800 ..	5,403,900 ..	24,066,700 ..	29,556,687 ..	35,311,018
1800,	15,372,980 ..	1,471,540 ..	16,854,800 ..	6,401,900 ..	28,257,781 ..	33,881,617 ..	34,069,457
1801,	13,575,520 ..	2,634,760 ..	16,203,280 ..	7,905,100 ..	30,435,268 ..	34,888,564 ..	35,516,351
1802,	12,574,860 ..	2,612,020 ..	15,186,880 ..	7,523,300 ..	28,308,373 ..	37,873,324 ..	37,111,620
1803,	12,350,970 ..	2,968,960 ..	15,849,980 ..	10,747,600 ..	25,104,541 ..	28,075,239 ..	38,203,937
1804,	12,546,560 ..	4,531,270 ..	17,077,830 ..	9,982,400 ..	26,454,281 ..	31,071,108 ..	45,515,152
1805,	13,011,010 ..	4,860,160 ..	17,871,170 ..	11,365,500 ..	27,341,720 ..	30,540,491 ..	50,555,190
1806,	13,271,529 ..	4,458,600 ..	17,730,120 ..	12,380,100 ..	25,504,478 ..	32,984,101 ..	54,071,908
1807,	12,840,790 ..	4,109,890 ..	16,950,680 ..	13,484,600 ..	23,826,845 ..	30,588,084 ..	59,406,731
1808,	14,093,690 ..	4,695,170 ..	14,188,860 ..	12,950,100 ..	25,660,953 ..	29,556,629 ..	62,147,601
1809,	14,241,360 ..	4,301,500 ..	18,542,860 ..	15,475,700 ..	30,170,292 ..	45,667,216 ..	63,879,802
1810,	16,159,180 ..	5,860,420 ..	21,019,600 ..	20,070,600 ..	37,613,294 ..	42,656,843 ..	67,825,597
1811,	16,246,180 ..	7,114,090 ..	23,360,220 ..	14,855,400 ..	25,240,704 ..	37,837,252 ..	65,399,100
1812,	15,951,290 ..	7,457,030 ..	23,408,320 ..	14,291,600 ..	24,923,922 ..	27,982,977 ..	65,752,125
Records							
1813,	15,407,320 ..	7,713,610 ..	23,210,930 ..	12,330,200 ..	destroyed by fire.	.....	68,302,860
1814,	16,455,540 ..	8,345,540 ..	24,801,080 ..	13,285,800 ..	32,622,771 ..	51,858,398 ..	70,240,313
1815,	18,226,400 ..	9,085,250 ..	27,261,650 ..	14,917,100 ..	31,822,058 ..	57,420,437 ..	72,203,142
1816,	18,021,220 ..	9,001,400 ..	27,013,620 ..	11,416,400 ..	26,374,921 ..	48,216,186 ..	62,640,711

—*Parl. Deb.*, vii, xiv, xv; *App. Parl. Hist.*, xxxv, 1563. COLQUHOUN, 99. MOREAU'S *Tables*, and PERIER, 278. MARSHALL'S *Digest*, pp. 97, 147, 236.

Thus, in the twenty-four years, from 1792 to 1816, the circulation of England, including the large and small notes and commercial paper discounted at the bank, was more than tripled; the revenue tripled, and the exports more than doubled; the imports increased a half. The increase of commercial paper from 1792 to 1810 was *sevenfold*; indicating, perhaps, the greatest and most rapid rise in mercantile transactions in the whole history of the world.

* A bank note is a promise to pay on demand a certain quantity of gold and silver; and, as it has no intrinsic value, its whole value depends on the belief given to this promise. The quantity of gold and silver for which it is a promise is the standard of its value; and, when it deviates from this standard—when it is not worth the quantity of gold and silver for which it is a promise—it may be fairly said, from whatever cause, to be depreciated, or to have experienced a loss of value. The standard price of gold bullion in this country is £3 17s. 10½d. an ounce. Four one pound bank notes, therefore, contain so many promises to pay something more than an ounce of bullion; and, when bullion is sold for paper at £4 10s., £5 and £5 10s. per ounce, it is clear that the paper is not of the same value as the gold for which it is a promise; in other words, that it is depreciated.—*Edinb. Review*, Feb., 1816, p. 149.

not less than sixty ounces, in exchange for bank notes, at £4 1s. per oz. From the 1st of October, 1820, to the 1st of October, 1821, the same plan to be adopted; but the gold to be at the rate of £3 19s. 6d. per ounce. From the 1st of May, 1821, to the 1st of May, 1823, the mint price of gold of £3 17s. 10½d. per ounce to be the rate, with the adoption of the same plan; and from the 1st of May, 1823, the notes to be paid in the gold coin of the empire, if required. Between the 1st of February and the 1st of October, 1820, the bank were empowered to deliver gold at any rate between £4 1s. and £3 19s. 6d. per ounce; and from the 1st of October, 1820, to May the 1st, 1821, they were also allowed to do the same at any rate between £3 19s. 6d. and £3 17s. 10½d., in ingots or bars of gold weighing sixty ounces. They were permitted, also, the option of paying in specie on or after the 1st of May, 1822. By the same act the laws which restrained the exportation of gold and silver coin, or prohibited it from being melted, were repealed.

This bill was the first commencement of that great principle enunciated by Mr. PEELE, that the national bank should always be prepared to pay specie* for its notes on demand, a principle he has since worked out in the last bank charter. Mr. PEELE'S act, says one writer, was passed amid general acclamations. Mr. CANNING pronounced the question to be settled forever. Among the public, various opinions, comprised in pamphlets and octavo volumes, were disseminated. Mr. TOOKE, however, has, perhaps, paid the highest compliment to the bill in the observation, that had it not been for the derangement of our currency, occasioned by the large financial operations of the continental States, in 1817 and 1818,

* Guineas, it is well known, were sold at 24, 25 and 26s. in paper, and the discount would have been still greater if the sale had not been prohibited under severe penalties. Although Parliament had just voted that the paper had lost none of its original value, it was, nevertheless, found necessary to pass a law to prevent its being sold under this value. On the continent there was, of course, no law to restrain the sale of Bank of England notes at their market price; and in Rotterdam, Hamburg and other places they were accordingly sold, after the conclusion of the peace, in 1814, at 13, 14 and 15s.—*Edinb. Review, Feb.*, 1816, pp. 149–150.

The social condition of England and its general prosperity were much improved in the year 1818. The change had begun in the middle of the preceding year, and arose chiefly from prices of agricultural produce having so much risen, and the home market for our manufactures having in consequence so much improved, from the increased ability of the rural population to purchase them. The funds, that sure test of public prosperity, rose 30 per cent.; in 1817, the three per cents ascended from 62 in January, 1817, to 83 in December of the same year. The bankruptcies in England, which, in February, 1816, were 209, were reduced in September to 61. The total was 1,575 in the year; being a decrease of 454 from the preceding year, when they had been 2,029. These unmistakable symptoms of general amelioration continued throughout 1818. The funds maintained the level they had reached on the close of the preceding year; and the bankruptcies were 519 less: they sank to 1,056, being only half of what they had been in the year 1816.

YEARS.	Bank of England Notes.	Country Banks.	Total.
1814,.....	£ 24,801,080	£ 22,700,000	£ 47,501,080
1815,.....	27,261,650	19,011,000	46,272,650
1816,.....	27,013,620	15,096,000	42,109,620
1817,.....	27,397,900	15,894,000	43,291,900
1818,.....	27,771,070	20,507,000	48,278,070

—ALISON'S *Europe*, vol. 5, p. 109.

in which loans were raised to the amount of £38,600,000, the renewal of cash payments in this country would have taken place, as a matter of course, in 1818. These words prove that Mr. PEEL, with that remarkable power which distinguishes him, of comprehending and replying to the demands of the time, had chosen the proper period for the resumption; while, by the gradual tone of the bill, he prevented any sudden, and, perhaps, mischievous* return to specie payments.

On the 22d of January, 1819, a committee, appointed to inquire into the mode of preventing the forgery of bank notes, made their report, in which they stated that the directors had furnished them with a detailed account of one hundred and eight projects, regularly classed and arranged, together with the correspondence concerning them, a statement of the trials to which they had been subjected, and specimens of the proposed originals, and of the imitations executed by order of the bank. They had also received and answered communications from seventy individuals, and in some cases held a personal interview with them. They had examined forged notes of various kinds, and the tools and instruments of one forger which were taken upon him; and that from the capital and skill employed in carrying out the crime, there must always be a liability of imitation. "One plan," they concluded by saying, "has been, with

* In every country the aggregate value of the currency must evidently depend on the business which it has to perform; and as an increase of business, without any increase of currency, will proportionally raise its value, an increase of currency, without any increase in the business which it has to perform, must have an effect precisely the reverse. If any individual, for example, purchase a house, or any other article, for £1,000, it is impossible that, in paying the money, he can employ more or less than this exact sum; and, as the great mass of the national business is made up of individual transactions, it is clear that, if neither less nor more than a certain sum can be employed in settling each particular transaction, a certain sum, and neither more nor less, must also be employed in settling the whole. In these circumstances, if we suppose the currency to be suddenly doubled in its amount, the effect of this sudden increase must evidently be to lower the value of each particular piece or note precisely one-half; for, by what other process can the additional quantity be possibly introduced into circulation? It is very immaterial whether the transactions of a country be carried on with ten, twenty, or thirty millions of notes or guineas; as the aggregate value of each of these different nominal sums will depend on the business which they have to perform.—*Edinb. Rev.*, Feb., 1816, p. 147.

"As paper may with ease be issued to any extent, either by government or private establishments authorized to circulate it, it becomes an engine of as great danger, and attended with as destructive effects, when it is unduly multiplied, as when it is unduly contracted. It is like the blood in the human body, whose circulation sustains, and is essential to, animal life; drained away, or not adequately fed, it leads to death by atrophy; unduly increased, it proves fatal by inducing apoplexy. To preserve a proper medium, and promote the circulation equally and healthfully through all parts of the system, is the great object of regimen, alike in the natural frame and the body politic. Issued in overwhelming quantities, as it was in France during the revolution, it induces such a rise in prices as destroys all realized capital, by permitting it to be discharged by a mere fraction of its real amount; contracted to an excessive degree, either by the mutations of commerce or the policy of government, it proves equally fatal to industry, by lowering the money price of its produce, and augmenting the weight of the debts and taxes with which it is oppressed."—ALISON'S *Europe*, vol. 5, p. 327.

Mr. ALISON does not uniformly commend the principle of a substantial currency, but condemns the stringent measures which were essential to restore the currency and to discourage wild speculation.

the liberal assistance of the bank directors, for some time past in a course of trial, for its greater perfection. The result, if our expectations be not disappointed, will afford a specimen of great ingenuity in the fabric of the paper, of great excellence in the workmanship, and of a very peculiar invention and difficult machinery in the art of printing." The following is a description, from a contemporary authority, of the improved note. A number of squares will appear in chequer-work upon the note, filled with hair lines in elliptic curves of various degrees of eccentricity, the squares to be alternately of red and black lines; the perfect mathematical coincidence of the extremities of the lines of different colors on the sides of the squares will be effected by the arrangement of machinery of singular fidelity. But even with the use of this machinery, a person who has not the key to the proper disposition would make millions of experiments to no purpose. Other obstacles to imitation will be also presented in the structure of the note; but this is the one principally relied upon. It is plain that any failure in the imitation will be manifest to the observation of the most careless; and the most skilful merchants who have seen the operation declare that the note cannot be imitated. The machine works with three cylinders, and the impression is made by small convex cylindrical plates.

In 1821,* after a quarter of a century, the bank re-commenced specie

* The prominent commercial and financial events of the previous ten years, (1811—1820,) were the following:

1811. Charter of the first Bank United States expired. Three new banks chartered for New-York city. English guineas publicly sold for a pound note and seven shillings. Mr. HORNER's proposition for resumption of cash payments in England rejected. First steamboat built at Pittsburgh. 1812. Serious riots in the manufacturing districts of Lancashire and Yorkshire. Declaration of war by the United States against England, 18th June. First successful experiment in steam navigation on the Clyde. 1813. Charter of the East India Company renewed for twenty years. British government expenditures for the year, £120,000,000. 1814. London *Times* first printed by steam, 20th November. The first savings bank established in Edinburgh. Peace of Ghent, signed December 24. British tax on notes and bills increased. The union of Sweden and Norway effected. Treaty between Holland and England. Cape of Good Hope finally ceded to England. 1815. Veto of the United States Bank bill by President MADISON; bank re-chartered for twenty years. Commercial embarrassments throughout England—1,285 bankrupts. English sovereigns and half-sovereigns coined. 1816. The new Russian tariff prohibited the importation of nearly all British goods. Bank of England advanced £3,000,000 further to government, making a total of £14,000,000. 1817. New gold coinage of England, issued February 3. Partial resumption of cash payments by the Bank of England, September 22. Paris first lighted by gas. First steamboat from New-Orleans to Louisville. 1818. First Polar expedition of Captain JOHN FRANKLIN left England. Steamboats built on Lake Erie. First regular steamboat communication between Glasgow and Belfast, established by Mr. NAPIER. 1819. Commission of inquiry for checking the circulation of forged notes, February 15. Engraving on steel introduced by HEATH & PERKINS. First passage of the Atlantic by steam. Emigration to Cape of Good Hope encouraged by the British government. The steamship Savannah arrived at Liverpool from the United States, 15th July. Commencement of the suspension bridge over the Menai by TELFORD. The first bank in Illinois chartered. 1820. Florida ceded to the United States by Spain. Suspension bridge over the Tweed. First steamer ascended the Arkansas River. Forged notes extensively in circulation in England. Commercial panic in Ireland; twenty banks stop payment.

payments. The currency bill of Mr. PEEL allowed them the option of paying in gold coin on and after the 1st of May, 1822. Anxious, however, to meet the spirit of the act, which required a return to a metallic currency* whenever it should be safe to all interests, the directors commenced paying on the 1st of May, 1821. Of the beautiful coin, so well known as the sovereign, which was produced in 1817, 9,971,364 were issued during the ensuing year.

* On the occasion of a movement in 1818 for resumption of payments, Mr. HUSKISSON used these expressions, which subsequent events have rendered prophetic: "The facility enjoyed by Great Britain of extending her paper circulation, has had the like effect that had been found to arise from the discovery of the mines of America; for by increasing the circulating medium over the world to the extent of forty millions, it proportionally facilitated the means of barter, and gave a stimulus to industry. In proportion, however, as the bank found it necessary to purchase gold on the continent to meet its engagements with the public at home, the circulating medium of the continent was diminished, and as the continental States did not enjoy the credit possessed by this country, and were thereby debarred from increasing their paper circulation, the result was discernible in the great confusion and deterioration of property that had taken place on the continent during the last two years. Indeed, he had no hesitation in saying, that much of the distress that had prevailed upon the continent was fairly attributable to the purchase of bullion by the Bank of England. The increase of the circulating medium of this country has given a great stimulus to its arts and industry. It was only to be lamented that, while the general appearance of the country had so much improved, the comforts and rewards of the laborers had been much reduced."

The grand debate on the final measure came on on May 21, 1819, and preparatory to it two petitions were presented to the House of Commons, one from the directors of the Bank of England, and another from the merchants and bankers of the city of London, in which the effects of the proposed measure are foretold with a clearness, and, as the event has proved, a truth, which render them among the most valuable and instructive documents recorded in history. That from the bank directors, with great propriety, disclaimed any interested view of the matter, but submitted to the legislature what must be the effect of a return to cash payments in the existing financial, commercial and monetary state of the country.

The petition of the merchants and bankers of London went a step further, and prophesied the consequences of the proposed measure in the following remarkable terms: "Your petitioners have reason to apprehend that measures are in contemplation with reference to the resumption of cash payments by the Bank of England, which, in the humble opinion of your petitioners, will tend to a *forced, precipitate and highly injurious contraction of the currency* of the country. That the consequences of such a contraction will be, as your petitioners humbly conceive, to add to the burden of the public debt, greatly to increase the pressure of the taxes, to lower the value of all landed and commercial property, seriously to affect and embarrass both public and private credit, to embarrass and reduce all the operations of agriculture, manufactures and commerce, and to throw out of employment (as in the calamitous year 1816) a great proportion of the industrious and laboring classes of the community. That your petitioners are fortified in the opinion thus expressed by the distresses experienced by the commercial, trading, manufacturing and agricultural interests of the kingdom, from the partial reduction of the bank issues which, it appears, has recently taken place. Neither the manner nor the time which your petitioners have reason to apprehend is intended to be proposed for the resumption of cash payments, is suited to avoid the evils they anticipate. The petitioners, therefore, humbly crave that the time, as at present fixed by law for the termination of the restrictions on cash payments by the Bank of England, may be extended to a period which shall not tend to a forced and precipitate contraction of the circulating medium of the country, or to embarrass trade, or to injure public credit, agriculture, manufactures and commerce."—ALISON'S *Europe*, vol. 5, pp. 112—119.

It is a curious fact that, a few weeks before, a writer who possessed considerable weight with the public, confidently affirmed, that the carrying out of the measure which prescribed the bank to pay the bullion at mint prices, on the 1st of May, 1822, would be attended with most unfortunate circumstances to the country. His assertion, for the fulfilment of which he offered to stake his life, had not long been made known, when the bank came forward, begging that they might be permitted to anticipate by a year the term fixed on for their payment in coin.

When this subject was mooted in the house, Mr. Baring proposed the establishment of a double standard, to consist of gold and silver. He also condemned the committee appointed to inquire into the question of forgery, who had failed because they had entertained an overweening solicitude to discover something absolutely perfect.

A singular and very intricate fraud was discovered this year. The perpetrator was WILLIAM SWINEY BARNARD TURNER, one of the clerks in the service of the corporation. It is painful to record internal treachery; but it has, at least, been some gratification to the writer, that such instances have not often presented themselves. It was the duty of TURNER to post, on a certain day, £4,795 15s. in the navy five per cents, to the account of Sir ROBERT PEEL. In place of this, he gave him credit to the extent of £14,795 15s., thus increasing the amount due to Sir ROBERT by £10,000. Having secured the foundation of the object which he had in view, the next movement was to dispose of the amount which he had thus created by a single stroke of his pen. The second step was effected with almost as much facility as the first, by opening an account in the fictitious name of J. PENN, of Highgate, whom he credited to the amount of £10,000. A purchaser was found, the stock appeared to the credit of the seller, and the transfer was effected.

The fraud was found out by the accidental discovery that a leaf had disappeared from the transfer book; and that it was not accidental was proved from the circumstance that the paging of the leaves was altered, in order that they might be consecutive. Various circumstances pointed to the probability that TURNER was the culprit; and he was taken before the directors, in the bank parlor, where he underwent an examination. The result was a confirmation of the suspicion; and Foy, the officer, was directed to detain him till the next day. From the respectability of TURNER, and from the confidence which had previously existed in his integrity, Foy was permitted to take his prisoner to any place which he thought might be most convenient, and where as little abridgment of his comforts might take place as possible. With this permission he was taken to an inn in the neighborhood, in a bed-room of which he was secured. About one o'clock in the morning, as the watchman proceeded on his rounds, he was suddenly startled by the sound of breaking glass, and looking up, saw a figure suspended from the third floor window, which the next moment fell heavily to the ground. The unfortunate adventurer proved to be TURNER, who had thus attempted to make his escape. In a most deplorable condition he was removed to the hospital; and, on the 18th of September following, supported on crutches, he appeared to take his trial.

Out of fifteen notes received for the forgery, twelve had been traced to

TURNER. Great difficulty in bringing the crime home was occasioned by the fact that he had destroyed many evidences of his guilt. On the trial, as the only witness who was disposed to swear decidedly to the writing of the prisoner was answering the questions put to him, **TURNER** whispered to his counsel, who immediately said, "Do you believe the New Testament to be a revelation from God?" The witness hesitated, and the question was repeated. "Yes, I do," was the reply, uttered in a faint tone. He was, however, again pressed; and evidence being produced to prove that he had frequently avowed his disbelief, he was at last compelled to acknowledge it. The prisoner's fate was greatly decided by this, and the jury returned a verdict of "not guilty." With the money thus disgracefully obtained **TURNER** went to Italy, and resided for some time on the banks of the beautiful lake of Como. He soon dissipated his property and returned to England; nor was it long before he was found, early in the morning, behind the tables of the Bank of England, examining some books which were exposed. His object was never known; but it is presumed it was to assist him in some further fraud. A retributive justice overtook him, as it overtakes all who depart from the path of rectitude, and he died in an obscure street in London, in great distress.

"The bank directors," says a periodical writer, "have adopted a resolution likely to be of essential service. They have fixed their interest at four per cent. The effect will be to produce an extensive alleviation upon all persons having charges upon their landed estates hitherto paying five per cent. Ten thousand pounds is the minimum of any application to be entertained, but the extent of accommodation is unlimited, provided the rental of the estate is double the amount of interest at four per cent." An extension of the time of such bills as were discounted was also allowed, from sixty-one to ninety-five days. The effect on public securities was very soon seen, as consols immediately rose.

The purchase of the dead weight has been variously commented upon, **Mr. LLOYD** believing that both for the bank and the state it was an injudicious arrangement, while **Mr. WARD** termed it "the best undertaking in which the bank could have been engaged." With regard to the negotiable character of the security, **Mr. NORMAN** considered it was equal to exchequer bills, with the simple difference of the one being a debt to be repaid, and the other an annuity for a given term. The following is copied from **Mr. McCULLOCH's** "Dictionary of Commerce," to enable the reader to form a clear and comprehensive view of the transaction:

"At the end of the war the naval and military pensions, superannuated allowances, &c., all included under the term dead weight, amounted to about £500,000 a year. They would of course have been gradually lessened, and ultimately extinguished, by the death of the parties. But it was resolved, in 1822, to attempt to spread the burden over the whole period of forty-five years, during which it was calculated the annuities would continue to decrease." "In 1823 the bank agreed,* on condition

*The bill of 1819, which re-established cash payments, and thereby rendered the national currency, with the exception of £14,000,000, which the bank was authorized to issue upon securities entirely dependent on the retention of the precious metals of the country, was brought about by a singular but not unnatural combina-

of receiving an annuity of £585,740 for forty-four years, commencing on the 5th April, 1823, to pay on account of the pensions, &c., at different specified periods, between the years 1823 and 1828, both inclusive, the sum of £13,089,419."

The discontinuance of notes under £5 lessened, to an important extent, the internal business of the corporation. When the £1 notes were first introduced the number of clerks had been considerably increased, and on their abolition it was found necessary to part with a considerable number. In 1822, therefore, many of them left the establishment. The liberality of the directors on this occasion, who gave pensions to all, in proportion to the number of years they had served, "was highly liberal, and met with universal approbation." This liberality is yet remembered with respectful gratitude. Tending, as such conduct unquestionably does, to create a beneficial union of interests between the employer and the employed, it is pleasant to be able to record the consideration of the one and the kindly remembrance of the other. The moral claim of a servant worn out with years or work, is indisputable. In all government situations in Austria, a plan is adopted by which the employé, when certain stipulations are performed, and after a certain period of service, is entitled to claim a pension. The plan adopted is simple, and might be advantageously introduced into England.

In 1822, the ministry proposed to the bank directors that they should concede their exclusive partnership privileges immediately, in all parts of the kingdom, sixty-five miles distant from London. The Earl of Liverpool and Mr. VANSITTART entered into correspondence with the governor; and the proposal was acceded to by the authorities of the corporation, upon the condition that the integrity of the remainder of the charter should be continued for ten years longer. The treaty was, however, abandoned. The country bankers remonstrated strongly; and it was re-

tion of causes. In the first place there was the natural reaction of the human mind against the enormous evils which had arisen in France from the abuse of the system of assignats, the quantities of which issued exceeded at one time £700,000,000 sterling, and caused such a rise of prices as swept away nearly the whole realized capital of the country. In the next place, there was the natural dread on the part of all the holders of realized wealth of such a continued elevation of prices as might lessen the exchangeable value of their fortunes, and in some degree deprive them of their inheritance or the fruits of their toil. Thirdly, the whole persons engaged in manufactures—a large and increasing class—were impressed with the same ideas, from the experience which the opening of the harbors had afforded them, since the peace, of the great difference between the money wages of labor and prices of raw material on the continent, where money was scarce because its inhabitants were poor, and England, where it was plentiful, because they were rich, and the necessity of contracting the currency in order to lower prices, especially of raw material and labor, and enable them better to compete with their continental rivals.—ALISON'S *Europe*, vol. 5, p. 325.

The continental States, during 1817 and 1818, had no paper adequate to sustain their credit during the scarcity of money, owing to the immense pressure on the money market, whereas England enjoyed in the highest degree that advantage. The paper circulation of Great Britain had greatly increased during the drain on the precious metals, and compensated for their want, and in the last of these years had reached £48,000,000 in England alone, a higher amount than in any year of the war. Hence the prosperity in this country, which co-existed with the most serious pressure and distress on the continent.—*Ibid.*, vol. 5, p. 327.

probated in the house, where Mr. PASCOE GRENFELL presented a petition against it. To the extension of the monopoly beyond 1833, he stated that he had the greatest possible objection. To the proposal which tended to remove the restriction on the number of partners engaged in country banking, he entertained a yet greater; and after the conduct of the bank, after their immense profits, which amounted to twenty-five millions in twenty-five years, after seven per cent. was divided, it was amazing that government should be so unwise as to propose a renewal of the bank charter. Mr. MANNING denied that the gains of the bank were more than were made by others. The Royal Exchange Assurance had made immense additions to their capital in consequence of their profits. Mr. RICARDO announced that he would oppose it to the utmost of his power. If a paper currency were required, ministers could do it better without, than with the bank. Under these circumstances, the ministry deemed it advisable to withdraw the negotiation, as there appeared but little probability of the legislature sanctioning the measure.

In the same year, during a period of considerable agricultural distress, the country bankers were permitted to continue the issue of their notes below the value of £5, up to the year 1833. Only six votes were recorded against the bill.

On the 11th of June, 1822, Mr. WESTERN attempted to make an inroad on the provisions of Mr. PEELE's currency bill. He "assumed," says the Annual Register, "that the landholder had a right (we suppose a Divine right) to enjoy all the advantages, and be protected from all the inconveniences, that might at any time flow from fluctuations in the currency, and took for granted that the change which had occurred in prices had been occasioned solely by the resumption of cash payments; with the help of these two postulates, he easily arrived at whatever conclusion seemed good to him." Mr. HUSKISSON replied that, as the foundation of his plan, he asserted, "that the standard of value in every country should be that article which forms the constant and most general food* of its population." It followed that wheat could not be the standard in Ireland. Potatoes must be the measure of value. We had heard of fanciful standards; the ideal unit; the abstract pound sterling; but we had never heard before of a potato standard. What a beautiful simplicity of system; a wheat standard for one part of the empire, a potato standard for the other. The proposition was for a depreciation of the standard of the currency. A measure reprobated by all statesmen and all historians,

* The following were among the extraordinary fluctuations in the price of wheat, per quarter, payable in paper as compared with gold, during the years 1809-1814. —*Ed. Rev.*, 1816.

<i>When Purchased with Paper.</i>		<i>When Purchased with Bullion.</i>	
	<i>s. d.</i>		<i>s. d.</i>
1809,.....	95 7	....	1809,..... 81 0
1810,.....	106 0	....	1810,..... 88 6
1811,.....	94 0	....	1811,..... 74 0
1812,.....	115 0	....	1812,..... 90 0
1813,.....	111 0	....	1813,..... 74 0
1814,.....	74 0	....	1814,..... 56 6

the wretched but antiquated resource of barbarous ignorance and arbitrary power, the last mark of a civilized nation's weakness and degradation. If such a proposition should be entertained, all pecuniary dealings would be at an end; all pending transactions would be thrown into disorder; all holders of paper would insist upon its being converted into coin. Neither the bank, nor the London bankers, nor the country banks, could survive the shock.

Mr. RICARDO maintained that the inconveniences of the return to a metallic standard had been infinitely increased by the bank directors in making premature purchases of gold to a large extent. They ought not to have paid in specie until 1823. Mr. PEEL's bill was in truth to try whether a bank could not be advantageously carried on upon the principle of paying the notes in bullion; and if the bank had gone on wisely in their preliminary arrangements, the bullion part of the plan would have worked for a number of years beyond the time originally stipulated.

Mr. PEEL trusted that the house would pause before they adopted a proposition which would reduce the value of one pound to fourteen shillings. The effect of the measure would be to disturb all mercantile transactions. If the house should proceed upon the principle of this bill, there would be an end for ever to the very idea of national faith; that faith which had supported us under every difficulty, and which constituted the pride, the glory and the support of the country. The measure of Mr. WESTERN was lost by a large majority.

A sudden and unexpected fall in bank stock of sixteen per cent., produced by an equally unexpected diminution of dividend, occurred in 1823.* The customary meeting was held to hear the rate of interest announced, attended by the usual small proportion of proprietors. For many years they had heard gratifying statements, sometimes concluding with an increased dividend, and sometimes with a considerable bonus. With this result the holders of stock willingly concurred, applauded the wisdom of the direction, passed a vote of thanks to them for their united capacity, and went home happy and contented. A change, however, occurred this year. It is probable that the return to a metallic currency was one cause of the proposition that the half-yearly dividend should be reduced from five to four per cent. For this, however, the meeting were no means prepared; and the prospect of the reduction produced some very energetic speeches. All were quite willing to allow great capacity to the directors while a high dividend was maintained; but no sooner was there a hint of lowering it, than they practically evinced their doubts of the wisdom of that body, which year after year had received a vote of thanks. A counter proposition was made for retaining the old dividend, but it was lost by a large majority. The suggestion was offered to reduce it only half per cent., but in vain. A ballot was then demanded, and granted on the demand being signed by nine proprietors. The monetary portion of the stockholders are generally aware of the importance of supporting the direction. At this period, also, the affairs of the corporation†

* The lowest price this year was 204, a lower point than had been reached since 1806, but in 1825, 1826, went to 193 @ 196.

† The effects of the contraction of four millions of the currency, made the subject

were private, and it was far from judicious to oppose those who were well acquainted with the accounts, and who were naturally far more pleased to declare an enlarged rather than a decreased dividend. But while it must be acknowledged that many of the bank stock proprietors represent the wealth, the rank and the intelligence of the country, it must also be remembered that a diminution of interest of two per cent. per annum might cause some distress to the small holder, by its occasioning him to reduce his expenditure; and he would, therefore, express warmly what he felt keenly. Of course, the directors gained their point.

Although most of the following occurrences are familiar to all, there are some portions of the relation sufficiently novel to claim the perusal of the reader.

The father of HENRY FAUNTLEROY was originally clerk in a city banking-house, and obtained a partnership in the firm of MARSH, SIBBALD & Co., in 1792, from his knowledge of banking. On his father's death, in 1807, HENRY FAUNTLEROY, from his superiority over his copartners in banking information, was chosen to occupy the same position. The business, from the first, was unfortunate. Two years after its establishment a loss was sustained of £20,000; and at the early age of twenty-two, the subject of this narrative found, to use his own words, "that the whole weight of an extensive, but needy, banking establishment at once devolved upon him." He had not occupied his post above three years, when another sudden demand of £170,000 was made upon the house.

Mr. FAUNTLEROY has said that he was not a gambler; nor was he in the ordinary acceptation of the term. But, in the funds, his speculations were considerable; and it is probable that his losses there made him first alter, as he was nightly in the habit of doing, the balances of the house after the total was made up. It is, indeed, hardly credible, that he should resort to forgery, until the exhaustion of all other means. Upwards of £100,000 were thus withdrawn; and the fraud was so artfully concealed,

of boast by the chancellor of the exchequer, were thus stated by Mr. BARING in the debate of 1821: "In looking at this question, it is very material to consider what is the state of the country in this, the sixth year of peace. Petitions are coming in from all quarters remonstrating against the state of suffering in which so many classes are unhappily involved, and none more than the agricultural classes. When such is the state of the country in the sixth year of peace, and when all the idle stories about over-production and under-consumption, and *such like trash*, have been swept away, it is natural to inquire into the state of a country placed in a situation without a parallel in any other nation or time. No country before ever presented the continuance of so extraordinary a spectacle as that of living under a progressive increase in the value of money, and decrease in the value of the productions of the people."—ALISON'S *Europe*, vol. 5, p. 354.

The budget was brought forward on the 1st July, 1822, and its leading feature was the reduction of the sinking fund from £13,000,000 to £7,500,000, by appropriating £5,500,000 to the current service of the year. This signal and calamitous departure from the form even of our former policy, in this vital particular, was sought to be justified by the chancellor of the exchequer on various grounds, but it was evident that it was imposed upon him by sheer necessity, and was a direct abandonment of the solemn resolution to maintain a real surplus of £5,000,000 over the expenditure, which Parliament had unanimously adopted only three years before; for, as the nominal sinking fund was reduced to half its former amount, it was plain that the real redemption of debt was virtually abandoned.—*Ibid.*, vol. 5, p. 367.

that it required the utmost keenness of the accountant, aware as he was of some such fact, to detect the imposition.

About 1816 other losses occurred; and the Bank of England, undoubtedly aware, from its extensive information, of the slight means of the house, refused to discount its bills. This was a further severe blow. In May, 1815, a power of attorney was presented at the bank, purporting to bear the signature of FRANCES YOUNG, of Chichester, for the sale of £5,000 three per cent. consols. That power was forged; but it passed the ordeal of the bank examinations, and the money was procured. From this period many powers, bearing the names of MARSH & Co., as attorneys, were acted on by Mr. FAUNTLEROY. Most of these were attested by two of the clerks of the banking-house. Some of them were to replace stock previously sold, while others provided funds for different purposes. No doubt appears to have been excited at the bank, or it was at once allayed by the fact, that the power was given to a banker, and, therefore, genuine. From 1815 to 1823 large sums were thus obtained; but in the latter year the supply ceased. Mr. FAUNTLEROY was joint trustee in an account with some other gentlemen, in the imperial three per cents. In the management of the trust some difficulties arose; and the only plan which could save the executors from a heavy responsibility, was to throw the property into Chancery. Mr. FAUNTLEROY strenuously objected. In the course of the dispute, one of the co-trustees visited the bank, and learned the fearful intelligence which first led to the discovery of a series of forgeries, so gigantic in their extent, and so unparalleled in their nature, as to border on the regions of fiction.

The information was communicated to the bank authorities. Orders were issued for the examination of all powers granted to the house of MARSH, STRACEY and Co., and the result may be anticipated.

In September, 1824, PLANK, the Bow-street officer, might be seen proceeding in the direction of the banking-house of MARSH, STRACEY & Co. A person who accompanied him entered first, and, requesting an interview with Mr. FAUNTLEROY, was ushered into his private counting-house. Within a minute he was followed by PLANK. The interior of a bank is nearly sacred; but the officer pushed boldly by the clerk, who would have interrupted him, merely saying he wished to speak with Mr. FAUNTLEROY. On entering, he closed the door, announced his name, and produced a warrant for the apprehension of HENRY FAUNTLEROY on a charge of forgery. A deadly pallor passed over the face of the latter; he was fearfully agitated, and hurriedly exclaimed, "Good God! cannot this business be settled?" PLANK begged him to make no noise, but to walk out quietly for a few minutes, and they could talk about it. Mr. FAUNTLEROY then signed a few blank checks for the business of the house, with a hand so unsteady that it was difficult to recognise his signature; and said he should go out for a few minutes. He was then conducted to the private residence of Mr. CONANT, the magistrate; and, after an interview of the prisoner with one of his clerks, Mr. FRESHFIELD, solicitor to the bank, accompanied by PLANK, proceeded to the banking-house to search the papers.

The search was successful. Documents unparalleled in the history of crime were discovered. In a private room, a box, bearing no name, was

found. What must the surprise of the bank solicitor have been to find in it a list, in the prisoner's handwriting, of forgeries which he had committed, amounting to £112,000, with the following extraordinary acknowledgment: "In order to keep up the credit of our house, I have forged powers of attorney, and have, thereupon, sold out all these sums, without the knowledge of any of my partners. I have given credit in the accounts for the interest when it became due. HENRY FAUNTLEROY." These words followed: "The bank first began to refuse our acceptances, and thereby destroy the credit of our house. The bank shall smart for it." At the period of his apprehension he had a power of attorney by which he would have replaced the stock that produced the discovery.

In a conference the forger had with a partner, he expressed great anxiety to obtain possession of a "blue book." Mr. GRAHAM searched, and brought one with a blue sheet for a cover. "No, no," he said, "this is not the one I want. It is a bound book." Mr. GRAHAM informed him that it had reached the hands of Mr. FRESHFIELD. "Then," said FAUNTLEROY, "I'm a dead man. I could have set the bank at defiance." This book was said to contain an account of the forgeries in which he had been engaged.

The crime of Mr. FAUNTLEROY excited great interest. "Hardly any thing else," says one writer, "was talked about." The newspapers teemed with anecdotes. His past life was inquired into. His portrait was in the windows. His behavior was analyzed. His person was described. The very way in which he held his hat was repeated. The magistrate apologized for an intrusion; and, when the forger heaved a sigh, the scribe was ready to draw the attention of the public to so memorable a fact. The whole affair, from beginning to end, was a bitter satire upon those English people who rest the importance of a criminal on the magnitude of his crime, and interest themselves in exact proportion to the respectability of the offender.

The human mind is always disposed to sympathize with great criminals; and those who had heard, week by week, of executions of small people, for small sums, were filled with horror at the position in which a gentleman was involved, and evinced a most misplaced sympathy at the idea of hanging a banker. The loss which the company sustained from this wholesale forger* was stated by the governor to a committee of the House of Commons at £360,000; and the interest alone, which was regularly paid, must have been nine or ten thousand pounds a year. The care required by these accounts, and the constant anxiety weighing on the mind of FAUNTLEROY, from the knowledge of his perilous position, were, in themselves, a punishment. His exertions at the banking-house were extraordinary. So energetic was he that his services were noticed as being equal to those of three clerks; but such care and such energy should have produced better fruit. The last time he received from the bank the warrants due to the firm was the day on which THURTELL and HUNT were tried. During the payment, he entered into conversation on the crime with the clerk who paid him; imagining but little

* In 1821 a petition of a tradesman was presented to Parliament, who had in one week taken twenty-five forged notes.

that within a year the same judge who had tried them would try him; that the very list of warrants he was receiving would be brought in evidence; and that the clerk with whom he was so familiarly conversing would be a witness against him. Before the debtors' door at Newgate, and amidst a vast concourse of spectators, the unhappy man expiated his crime.*

* In England, the forgery of deeds, &c., or giving them in evidence, was made punishable by fine, by standing in the pillory, having both ears cut off, the nostrils slit up and seared, the forfeiture of land, and perpetual imprisonment.—5 ELIZABETH, 1562. Forgery was first punished by death in 1634. Since the establishment of paper credit, a multitude of statutes have been enacted. Forging letters of attorney, for the transfer of stock, was made a capital felony in 1722. Mr. WARD, M. P., a man of large wealth, was expelled the House of Commons, for forgery, May 16th, 1726, and was consigned to the pillory, March 17th, the following year. The value of forged notes which were presented at the bank during ten years from January 1st, 1801, was nominally £101,661. In one year (1817) the bank prosecuted 142 persons for forgery, or the uttering of forged notes, (*see Parliamentary Returns.*) Statutes reducing into one act all such forgeries as shall henceforth be punished with death, WILLIAM IV., 1830. The punishment of forgery with death ceased, by statute, August, 1832, except in cases of forging or altering wills or powers of attorney to transfer stock; but these cases also are no longer punishable by death, having been reduced to transportable offences by act of July 17th, 1837.

Among the remarkable executions for forgery were the unfortunate DAVID and ROBERT PÉRREAU, brothers, and wine-merchants, who were hung at Tyburn, January 17th, 1776. The Rev. Dr. DODD was found guilty of forging a bond, in the name of Lord CHESTERFIELD, for £4,200. The greatest interest was made, and the highest influence was exerted to save him; but, when the case came before the council, the minister of the day said to GEORGE III., "If your majesty pardon Dr. DODD, you will have murdered the PÉRREAUS;" and he was hung, accordingly, June 27th, 1777. JOHN HATFIELD, a heartless impostor, who had inveigled "MARY of Buttermere," the celebrated beauty, into a marriage with him, was hung for forgery at Carlisle, September 3, 1803. Mr. HENRY FAUTLEROG, a London banker, was hung November 30, 1824. JOSEPH HUNTON, a Quaker merchant, suffered death December 8th, 1828. The last criminal hung for forgery at the Old Bayley was THOMAS MAYNARD, December 31st, 1829.

"Mr. BASIL MONTAGU states justly that mankind are less deterred from crime by calculation of consequences than by involuntary sympathy with others, and by the natural sense of right and wrong. The first has little influence, except in conjunction with the last, and it may be well that it is so; since, if all sorts of arbitrary and capricious commands were of absolute force and validity in themselves, unseconded by opinion or conscience, there would be no end of 'the fantastic tricks which man, dressed in a little brief authority, might play before high Heaven to make the angels weep.' There has been too much of this work already; and a very little of the same spirit in future will be more than is wanted. There is enough of it lurking in the prejudices and vindictive passions of men; and it need not be fomented by panders and sophists. No punishment, we believe, will in the end be found to be wise or humane, or just or effectual, that is not the natural reaction of a man's own conduct on his own head, or the making him feel in his own person the consequences of the injury he has meditated against others. It is impossible to force this sentiment, in the individual or the community, up to the same degree of horror against the smallest as against the highest crimes by a positive law."—*Edinburgh Review*, 1826.

The subject of forgery and the punishment therefor was fully discussed in the *Edinburgh Review*, vols. 31 and 52; *Fraser's Magazine*, vol. 11; *Eclectic Magazine*, vol. 21, p. 560; *Monthly Review*, vol. 1; *Blackwood's Magazine*, vol. 69, pp. 461, 605, and in *Littell's Museum*, vol. 36.

CHAPTER XVII.

PROSPERITY OF THE COUNTRY—REDUCTION OF INTEREST—CIRCULATION OF ONE POUND NOTES—FOREIGN LOANS—EAGERNESS TO SUBSCRIBE—HIGH PRICE OF SHARES—DELUSIVE COMPANIES—HISTORY OF THE PERUVIAN LOAN—REMARKS IN THE HOUSE OF COMMONS.

THE year 1823 witnessed the early dawning of a prosperity,* which, regarded as solid by many, ended in an almost national ruin. In the previous year, with a view of reviving speculation, then dormant, the bank, at the instance of the State, had issued about four millions in advances to the government, and in enlarged discounts; but, in Mr. HORSLEY PALMER'S opinion, the first step towards the excitement was lowering the interest on public securities, which was effected in 1822, by reducing the navy five per cents to four per cent., and a smaller stock to three and a half per cent. This reduction in the interest of upwards of two hundred millions caused some distress and great dissatisfaction. To meet the discontents the bank advanced five millions, to be repaid in quarterly instalments. Many persons who had hitherto been contented with the dividend they had received, were compelled either to reduce their expenses to meet a diminished revenue, or endeavor to obtain a larger interest than was offered by government. A feverish feeling was thus excited, and as there are always plenty of schemes, which, if not safe, are specious, the discontented man embarked his capital in speculations, the great promises of which blinded him as to their insecurity. Unwilling to reduce his expenses, he thought he saw a safe mode of enlarging his income, and he "entertained any proposition for investment, however absurd, which was tendered." In the year 1822 another cause occurred, of which the entire responsibility must rest with the government. This was the act of Parliament extending the circulation of the small notes of country bankers till 1833, instead of ceasing at the period allotted to them by the bill of Mr. PEELE. That act, said Mr. CANNING, hedged the one pound note with a divinity which was never supposed to belong to it before. Only six opponents were seen arrayed against the bill. The bank had made a pro-

* A parliamentary debate occurred in 1817, on the state of the trade and manufactures of the nation, the scope and aim of which will at once appear from the resolutions which Mr. BROUGHAM moved, and which were negatived by a majority of 55, the numbers being 118 to 63. 1. That the trade and manufactures of the country are reduced to a state of such unexampled difficulty as demands the serious attention of this house. 2. That those difficulties are materially increased by the policy pursued with respect to our foreign commerce, and that a revision of this system ought forthwith to be undertaken by the house. 3. That the continuance of those difficulties is materially increased by the severe pressure of taxation under which the country labors, and which ought by every practicable means to be lightened. 4. That the system of foreign policy pursued by his majesty's ministers has not been such as to obtain for the people of this country those commercial advantages which the influence of Great Britain in foreign courts fairly entitled them to expect.—ALISON'S *Europe*, vol. 5, p. 107.

vision of bullion for the country notes, with the full conviction that the law would remain unaltered. In the memorandum delivered to the House of Commons the directors state, "the consequence of that measure was to leave in the possession of the bank* an inordinate quantity of bullion; £14,200,000 in January, 1824; and further to afford the power of extension to the country banker's issues, which it is believed were greatly extended from 1823 to 1825." Mr. RICHARDS, in his evidence before the committee of the House of Commons in 1832, bore testimony to the efforts of the bank in preparing to meet its outstanding engagements. "When it was determined that the country should return to cash payments, a vast deal of anxiety was created in the minds of the public. As the period approached that anxiety greatly increased, and many who had previously issued freely, and given fair and legitimate accommodation, were afraid to continue. The bank had put itself in a position faithfully and honestly to fulfil that law—that I assert most fearlessly—and succeeded in procuring a large quantity of bullion. They anticipated the period when, by law, they were bound to return to cash payments, and enabled themselves to assist the country bankers to meet their engagements in gold."

In 1822 the aggregate currency was low;† but no sooner was the country banker allowed to issue more small notes, than it began to increase, and with it an apparent prosperity as dangerous as it was delusive. In 1825 the issues of the country bankers were fifty per cent. more than in 1822. From the middle of the latter year to the commencement of 1825, prices of commodities improved, in some cases twenty-five, and in others fifty per cent. At the end of 1824 the stock of manufactures was shorter than usual. The whole country wore a promising‡ appearance, and every one became ready to embark his capi-

* The dividends of the bank, from 1807 to 1822, were at the rate of ten per cent. per annum.

† Mr. LEWIS LLOYD, a gentleman whose opinion on such subjects is entitled to the greatest deference, from his long experience as a partner in one of the first banking houses in the kingdom, (JONES, LLOYD & Co.,) estimated the reduction of country bank paper in 1816, as compared with its amount in 1814, at about a half; (*Commons' Report*, 1819, p. 170.) Perhaps, however, the estimate of Mr. SEDGWICK, Chairman of the Board of Stamps, may be the most accurate, who reckoned, from computations founded on the number of stamps issued to the country bankers, that the amount of the notes in circulation from 1810 to 1818, both inclusive, had been as under:

1810,.....	£ 21,819,000	1815,.....	£ 19,011,000
1812,.....	19,944,000	1816,.....	15,096,000
1813,.....	22,597,000	1817,.....	15,898,000
1814,.....	22,709,000	1818,.....	20,507,000

This table sets the vicious nature of the existing system in the clearest point of view.—*Edinburgh Review*, vol. 43, p. 272.

‡ Only two years before, or on 7th March, 1821, Mr. GOOCH brought forward a motion for the appointment of a parliamentary committee to inquire into agricultural distress; and in the course of the debate Mr. CURWEN observed, "In the flourishing days of the empire, the income of the nation was £400,000,000, and the taxation was £80,000,000 annually. At present the income is only £300,000,000, yet the taxation was nearly the same. In what situation was the farmer? The average of wheat, if properly taken, was not more than 62s., the consequence of which

tal in any thing which promised great profit. The people congratulated themselves on being wiser than their forefathers; and part of the press, at first, re-echoed their congratulations. Every one seemed smiling and satisfied. The shopkeeper sold his goods. The merchant made large profits. The manufacturer could not produce sufficiently fast. "Even country gentlemen, the most querulous of all classes," says a periodical, "the least accustomed to suffer, and the most incapable of struggling with difficulties, could no longer complain."

The South Sea bubble was a tradition about which many talked, who knew nothing but the name. Those who were familiar with the story little expected to see a repetition of scenes which had shaken the foundations of commerce. "The schemes so lately afloat," says a writer at the time, "carried with them a much greater mass of fraud and deception, in the aggregate, than the South Sea bubble." It is instructive to read the comments of a portion of the press. The following extract from the "*Annual Register*," as a calm survey of the events of the year, aspiring to the dignity of history, may be regarded as most important, from the time allotted it, to form an opinion:

"There was in the present year no diminution of that prosperity which the country had enjoyed throughout the whole of 1823. All agricultural produce was slowly but steadily on the rise. In the cotton trade there was a rapid increase; and the manufacturers of wool, iron and hardware were equally prosperous. The abundance of capital led to the formation of numerous joint-stock companies, directed, some of them, towards schemes of internal industry; others of them towards speculations in distant countries. The 'mines of Mexico' was a phrase which suggested to the imagination of every one unbounded wealth; and three companies, the Real del Monte Association, the United Mexican and the Anglo-Mexican, were formed for the purpose of extracting wealth from their bowels, by English capital, machinery and skill. Similar companies were formed in the course of the year for working the mines of Chili, of Brazil and Peru, and of the province of Rio de la Plata. In the month of March there were upwards of thirty bills before the House of Commons, for the purpose of giving legal existence to different companies. In all these speculations* only a small instalment, seldom exceeding five per cent, was paid at first; so that a very moder-

was, that the farmer lost 3s. by every quarter of wheat he grew. On the article of wheat alone, the agricultural interest had lost £15,000,000, and on barley and oats, £15,000,000 more. In addition to this, the value of farming stock had been diminished by £10,000,000; so that in England alone there was a diminution of £40,000,000 a year. The diminution on the value of agricultural produce in Scotland and Ireland cannot be less than £15,000,000; so that the total loss to the agriculturists of the two islands cannot be taken at less than £55,000,000.—ALISON'S *Europe*, vol. 5, p. 354.

* The doctrine of free trade, afterwards so largely acted upon by the British legislature, first began in 1820 to engross the thoughts not only of persons engaged in commerce and manufactures, but of the heads of the government. On 8th May, 1820, Mr. BARING presented a petition on this subject from the merchants of London; and on the 16th, Mr. KIRKMAN FINLAY, a Glasgow merchant, equally remarkable for the extent of his transactions and the liberality of his views, brought forward a petition from the Chamber of Commerce of Glasgow, which set forth, in strong terms, the evils arising from the restricted state of the trade with China and

ate rise in the price of shares produced a large profit on the sum actually invested. If, for instance, shares of £100, on which £5 had been paid, rose to a premium of £40, this yielded on every share a profit equal to eight times the amount of the money which had been paid. This possibility of enormous profit, by risking a small sum, was a bait too tempting to be resisted. All the gambling propensities of human nature were constantly solicited into action; and crowds of individuals of every description, the credulous and the suspicious, the crafty and the bold, the raw and the inexperienced, the intelligent and the ignorant, princes, nobles, politicians, placemen, patriots, lawyers, physicians, divines, philosophers, poets, intermingled with women of all ranks and degrees, spinsters, wives and widows, hastened to venture some portion of their property in schemes, of which scarcely any thing was known but the name."

The speech from the throne evidenced the general feeling of security and satisfaction. It congratulated the Commons and Lords on the "prosperous condition of the country. There never was a period in its history when all the great interests of the nation were in so thriving a condition. An increasing activity pervades almost every branch of manufactures." But another source of high profit appeared to offer through the acknowledgment of the independence of the South American States.*

Any petty commonwealth putting forth pretences to a popular government, had only to publish magnificent assertions, and yet more magnificent promises, and loans were made as freely as required. Upwards of thirty-two millions were thus subscribed by infatuated men, the principal of which will never be seen; while a pretence of keeping up the interest is scarcely made. The following will afford some idea as to the mode in which these loans were managed, and will yield an insight into the madness to which a state of monetary excitement will sometimes lead sober-minded men. This desire to invest capital in foreign loans amounted to a mania. The way in which the Peruvian loan was arranged, together with the circumstances which attended it, may serve as a specimen of others. No sooner was it understood that the State of Peru had consented to borrow, than the utmost anxiety prevailed to lend. The ostensible contractor was overwhelmed with applications. The reply was, that he would dispose of the scrip in the open market. At the time appointed, a crowd of speculators surrounded him, begging to know the terms, and pressing for an early delivery. All voices were lost in the

the East Indies, and the advantages over British subjects which the Americans enjoyed in that respect, and urged the repeal of the usury laws, and the reduction or removal of the duties on the importation of several foreign commodities. These views were so favorably received in both houses of Parliament that Lord LANSDOWNE was encouraged, a few days after, to bring forward a motion for the appointment of a committee to take into consideration the means of extending our foreign commerce. He dwelt, in an especial manner, on the inconveniences to which the trade of the country was now exposed by the numerous duties which restricted it in every direction, and argued, that "whatever brought the *foreign* merchant to this country, and made it a general mart for the merchandise of the world, was beneficial to our trade, and enriched the industrious population of our ports."—ALISON.

* Mr. CANNING announced January 1, 1825, as the period for recognition of the South American States.

confusion, and the agent calmly waited the bidding of the eager multitude. Various prices were vociferated, but the contractor maintained a reserved silence. By this it was understood that the point desired was not reached. After a pause, eighty-eight was named by him. This was known to be a premium of eight per cent. on the contracting price, and a storm of indignation arose at the idea of any one, but the assembly, making so large a profit. "Shame, shame!" "Gross extortion!" met the contractor's ears. Still there was an eager pressure to get near him, and those who could approach sufficiently close considered themselves fortunate in taking sums varying from £5,000 to £10,000. The practical reception of his terms appeared so satisfactory that the contractor soon advanced the price to eighty-nine; on which he was once more met with the same expressive language. Again, however, his acuteness proved correct, and some of the scrip was taken at the increased rate. The noise became so great, and the confusion so excessive, that few could be supplied; and though many applications were made, there was no answer. The attention of the crowd was soon diverted by the offer of a broker to supply any person, who required the scrip, at eighty-eight. The speculator was taken at his word, and very large amounts were sold. By this time the news had reached the stock exchange;* and in a short period a considerable number of the members assembled, and pressing round the contractor, with great indignation, moved him and his agents from one part of the edifice to another. The crowd soon became so exasperated, that they forced them out of the building. A desperate struggle followed, and at last they were allowed to re-enter. Being tumultuously called upon to name a price, one of them mentioned ninety as the minimum. Soon after this they left; with their departure the mania appeared to subside; and many of the purchasers, fancying their bargains were imprudent, actually sold on the spot at a lower price than they had given. Such was the anxiety to obtain a portion of the loan to be granted to Peru, a loan which now bears no interest whatever.

The year 1825, like its predecessor, was ushered in with a flourish of trumpets. The ancient golden age had revived. Gladness and gaiety were in the land. "The hum of successful industry was heard throughout the fields; every man was contented and happy; joy beamed in every face;" and, as Lord LEVESON GOWER expressed himself, his poetic spirit waxing warm within him, "distress had vanished from the face of the land." The delusion was general. The song of triumph universal. The Earl of Liverpool rejoiced in the success which had attended that great measure, introduced, with his sanction, by Mr. PEEL. "The task had been accomplished; we were enjoying our reward." Lord DUDLEY said: "The country now reaped in honor and in repose all that they had sown in courage, in constancy and in wisdom." "Our prosperity extended to all orders, all professions, all districts, enhanced by those arts which ministered to human comfort, and by those inventions by which man seemed to have obtained a mastery over nature by the application of her own powers."

* Mr. JOSEPHS was expelled from the stock exchange for improper conduct, connected with shares in the *Lower Rhine Steam Navigation Company*, August, 1825.

The contagion spread to the Commons. No year had ever exceeded that of 1824* in its exports; and the chancellor of the exchequer, in an exultant tone of triumph, congratulated the house on the auspicious circumstances of the period, adding, "we may safely venture to contemplate with instructive admiration, the harmony of its proportions and *the solidity of its basis.*" Joint-stock companies of every conceivable description were put prominently forward.† In 1824 and 1825‡ six hundred and twenty-four new ones made their appearance. Royal and imperial mines; a mint company, to coin the gold when it should be procured from Mexico; associations to provide bread; with others, which rivalled one another in outrageous assertions and extravagant protestations, possessed the public mind. The upper classes found their representatives in the direction of these companies. A violent love of lucre was as prevalent among the higher as the lower ranks. Mr. GRENFELL asserted, in the House of Commons, that he had seen the prospectus of a new speculation, to which the name of a prince of the blood was attached. Another bore the title of the Archbishop of Canterbury. The highest mercantile names in the land were in the direction of others. All were confident, and all hoped to reap enormous profits. A Mr. PETER MOORE boldly said, in the House of Commons, "Upon his honor, he believed that not one of the companies with which he was connected had less probity or less stability than the Bank of England." Every description of property rose greatly. The artisan was in full employment. New buildings were in progress of erection. Men of enterprise, without capital, could command funds for any plausible undertaking.

When introducing his motion on the address to the king, Lord LEVE-SON GOWER said: "Such is the general state of prosperity at which the country has arrived, that I feel at a loss how to proceed, whether to give precedence to our agriculture, which is the main support of the country, to our manufactures, which have increased to a most unexampled extent, or to our commerce, which distributes them to the ends of the earth, which finds daily new outlets for their distribution, and new sources of national wealth and prosperity."

* The bank this year announced its intention of investing money on mortgages, and the security of public stock, April.

† The contemporary annalists have recorded facts which demonstrate that this glowing picture was not the creation of the orator's imagination, but the faithful portrait of the time in which he lived. "Agricultural distress," says the *Annual Register*, "had disappeared; the persons engaged in the cotton and woollen manufactures were in full employment; the various branches of the iron trade were in a state of activity; on all sides new buildings were in a state of erection; and money was so abundant, that men of enterprise, though without capital, found no difficulty in commanding funds for any plausible undertaking. This substantial and solid prosperity was stimulated to an additional extent by the operation of the many joint-stock banks and companies which had sprung into sudden existence in the former year. Some of them had put in motion a considerable quantity of industry, and increased the demand for various articles of consumption; and all of them, at their commencement, and for some time afterward, tended to throw a certain sum of money into more active circulation, and to multiply their transfers from one hand to another."—ALISON'S *Europe*.

‡ The anti-corn law agitation commenced this year.

CHAPTER XVIII.

BUBBLE COMPANIES—INCREASE OF PROSPERITY—VALUE OF SHARES—COMMENCEMENT OF THE PANIC—FAILURES OF COUNTRY AND LONDON BANKERS—SCENE AT THE DISCOUNT OFFICE—MR. BARING—GREAT DISTRESS—GENERAL DISCREDIT—ASSISTANCE OF THE BANK—DECLINE OF THE FUNDS—ISSUE OF ONE POUND NOTES—MANSION-HOUSE MEETING—ANECDOTES OF THE PANIC—RIOTS IN THE COUNTRY—JOINT-STOCK COMPANIES—OPINIONS AS TO THE CAUSE OF DISTRESS.

THE vast quantity of gold expected from the South American mines was so great, that many well-informed persons, according to Mr. TOOKE, "believed, and acted on the belief, of a diminished value in gold and silver in consequence." A journalist of the day, writing on what was evidently a feeling, if not a belief, founded on it an essay, of which the following is an extract: "The chancellor of the exchequer was obliged to give up his customary budget, and introduced a new system of duties in kind. I had an opportunity of hearing a right honorable gentleman, who filled that situation, very pathetically lament that the 'over-production of gold then was as great an evil as the over-production of grain had been formerly.' 'Once,' he added, 'the difficulty was how to get gold; then the question to be put was how to spend it; for the nation already resounded with the lamentations of sufferers, forming creditors of the State, but who had been paid off with gold.'"

It is in such things as these, which satirize popular opinion in the pursuit of public applause, that the real feeling of a people may often be discovered. The pages of the satirist are a vivid picture of society. As a confirmation of this frenzied desire, another writer of the period says, "The earth was to yield in such quantities of the precious metals, that fears began to be entertained of their becoming almost valueless."

The credulity of the British public was only surpassed by the impudence of the inventor. Men, without any capital but presumption, proposed and carried out companies; and when, by the aid of an important name or two, obtained perhaps under fraudulent pretences, and a prospectus full of specious phraseology and definite promises, they had arrived at a premium, the shares were sold, and the association abandoned. In a satirical novel of the day, a bubble, to be called "The Gold, Wine and Olive Joint-Stock Company," is proposed to be projected. From the writer's position, it is very probable that much of his presumed fiction was fact. "Why, you talk," says one of the characters, "as if we had any real business to transact. All we have to do is to puff our shares up to a premium, humbug the public into buying them, and then let the whole concern go to ruin." The history of the difficulty with which the first instalment of rent was met, amounting to £8 6s. 8d., is unquestionably a picture of the pauperism and poverty which often mingled with the shamelessness of the pretenders. The writer remembers to have seen, some time afterwards, the prospectus of a company, to drain the Red Sea in search of the

gold and jewels left by the Egyptians in their passage after the Israelites. Many similar jocularities were in circulation, some of which emanated from the members of the stock exchange, always alive to a sense of the ridiculous. But it is impossible, and the experience of every speculative era has proved it, to open the eyes of men who are making large profits. We are all prone to believe what is agreeable, and the movers in the mania of 1825 were no exception to the rule.

Every one appeared to get rich without trouble. The prices of all articles increased in value. Tenfold higher terms were paid for land, with the view of building on it, than it was worth.

“The wildness of speculation,” says “*KNIGHT’S History of London*,” was not, however, confined to joint-stock projects; but at length reached to commercial produce generally. Money was abundant, and circulated with rapidity. Prices* and profits rose higher and higher, and, in short,

‘All went merry as a marriage bell.’”

The newspapers could scarcely contain the announcements which day after day poured from the prolific pens of the schemers. Shares were issued at high premiums; loan after loan taken at high rates; but high as they were contracted, the extravagant feeling of the period sent them all higher. The “*REAL DEL MONTE MINING*” shares, the value of which may be known from being quoted shortly after at 377 discount, reached

* The rise of prices consequent upon the inflation of this period, is indicated by the annexed summary of values in 1823 and in 1825:

	1823.		1825.	
	£	s. d.	£	s. d.
Brimstone, rough,per ton,	6	10 0	10	0 0
Butchers' beef,per lb.,	0	0 4½	0	0 8
“ mutton,“	0	0 4	1	0 7½
Cochineal, Spanish,“	1	0 0	1	6 0
Coffee, British plantation,per cwt.,	6	0 0	6	13 0
“ St. Domingo,“	4	2 0	4	8 0
Cotton, Georgia, bowed,per lb.,	0	0 8½	0	1 6½
“ Bengal and Surat,“	0	0 6½	0	1 1½
Flour, Yarmouth,per stone, 14 lb.,	0	1 8	0	2 6
Indigo, East India,per lb.,	0	9 9	0	16 0
Iron,per ton,	6	0 0	13	0 0
Lead,“	22	10 0	30	10 0
Rum, Jamaica,per gall.,	0	2 9	0	3 4
Extra Jamaica,“	0	3 2	0	3 8
Saltpetre, East India,per cwt.,	1	4 0	1	16 0
Spices—Cinnamon,per lb.,	1	6 8	0	13 6
“ Mace,“	0	5 2	0	18 0
“ Nutmegs,“	0	3 1	0	12 0
“ Pepper, black,“	0	0 5½	0	0 9½
Spelter, (1824,)per ton,	20	10 0	41	15 0
Sugar, B. P. Gar., average,per cwt.,	1	10 0	2	5 2
“ white, Havana,“	2	4 0	2	17 0
Silk, Reggio,per lb.,	0	11 6	0	17 0
“ China,“	1	0 0	1	8 0
Tallow,per cwt.,	1	11 0	2	3 0
Tobacco, Virginia, ordinary,per lb.,	0	0 2½	0	0 6½
Tin block,per cwt.,	3	17 0	5	1 0
Wool,per lb.,	0	6 6	0	9 6

1,400 premium, making a difference of £1,777 per share. The "BOLANOS," and other foreign mining companies, mounted to 525 premium. The less the place was known where the mine was to be sunk, the higher the premium reached, the bolder and the more exorbitant were the demands made on the public credulity. The "TLALPUXAHUA" was done at £299. Rumors and reports of veins of gold discovered, had only to be fastly propagated, to be freely credited.

The following table will give an idea of the height to which the madness of the period had raised the prices of mining shares in one month :

		Dec. 10, 1824.	Jan. 11, 1825.
Anglo-Mexican,.....	£ 10 paid.	£ 33 pm.	£ 158 pm.
Brazilian,	10 "	10s. dis.....	70 "
Columbian,.....	10 "	19 pm.	82 "
Real del Monte,	70 "	550 "	1,350 "
United Mexican,.....	10 "	35 "	185 "

The shopkeeper ceased to toil, that he might become suddenly rich. The merchant embarked his capital and his credit; the clerk risked his reputation and his place to obtain a share of the broad golden stream, which waited to be drunk. The broker could scarcely find time to execute his commissions. The ordinary business of the funds were disregarded. The regions of the stock exchange wore an appearance of perpetual bustle.* But a great change was at hand. This desire of adventure, and the rising aspect of all markets, created an unfavorable foreign exchange,† which, together with the specie, sent to fulfil the loans made to foreign States, occasioned seven millions and a half of gold to be subtracted from the bank coffers by November, 1825.

* The following is a statement of the new associations that sprung up after the year 1823, and the nominal capital subscribed for their various undertakings:—
DOUBLEDAY'S *Financial History of England* :

74 Mining companies,	£ 38,370,000	67 Steam companies,.....	£ 85,555,000
29 Gas companies,.....	12,077,000	11 Trading companies,...	10,450,000
20 Insurance companies, ..	35,820,000	26 Building companies, ..	13,781,000
26 Investment companies, .	52,600,000	23 Provision companies,..	836,000
54 Railway and canal co.'s,	44,051,000	202 Miscellaneous,	148,109,000

Making, in one year, a total of 532 companies, with a nominal capital of £441,649,600 sterling.

† It is almost unnecessary to explain, that the par of exchange is fixed on a comparison of the intrinsic value of the currencies exchanged, and that, upon this principle, in fixing the rate of exchange between Hamburg and this country, thirty-four Hamburg shillings are computed to be equal to a British pound sterling. But if the Hamburg currency should, by any accident, lose one-half of its intrinsic value, thirty-four Hamburg shillings would no longer be equal to a British pound sterling. The exchange with Britain would turn against Hamburg in proportion to the loss of value which its currency had experienced, and it would, of course, be necessary, in remitting from Hamburg to Britain, to pay sixty-eight Hamburg shillings for every British pound. Applying these principles to the British currency, we find, that as the price of bullion rose, or, in other words, as bank notes decreased in value, all our foreign exchanges became proportionally unfavorable; only, however, when remittances were made by means of paper. In that case, when the notes of the Bank of England were exchanged against the pure currencies of Paris, or of Ham-

In that month the alarm began. The directors of some of the companies consented to their being dissolved, on condition of retaining one-fourth of the deposits to meet contingent and past expenses. The banks where the deposits of others had been placed were besieged to procure a return. The lord mayor was applied to by many who, rejoicing at first in the prospect of profit, shrank from the chance of loss. From this period the tide turned. The eyes of the people opened to their marvellous absurdity. The sellers became more numerous than the purchasers; and by December had arisen a voice of alarm so loud that it reached to the remotest provinces of the empire, and so deep that it penetrated to the heart of the metropolis.

By the 23d of November, 1825, greater difficulty existed in obtaining commercial discounts than had been experienced for some years. The extreme caution of the directors of the bank, who, witnessing a decline in the exchanges, feared a fresh exportation of their gold, was the immediate cause. The applications of the highest houses, equal in stability to the bank, were only partially complied with. It may be supposed that the coming storm was little anticipated when the following remark was made by a high authority: "They contract the issue of their bank notes with more timidity than, perhaps, the real urgency of the case demands." "The distress occasioned by the limitation exceeds belief." These comments, occurring immediately preceding the panic, prove that it was but little expected. But if the directors were compelled to limit their accommodation, great care was evinced that credit should not be injured by it. The most eminent firms, the character and wealth of whom placed them beyond suspicion, were selected for reduction, so that no reproach could be attached to them.

In an interview which the bank authorities held with the chancellor of the exchequer, towards the end of November, some high words appear to have passed, in which the chancellor said the bank had brought themselves into a situation too serious to be treated with disregard, though the evil must work its own cure. The governor reminded him that they had undertaken the dead weight when no one else would do so. Past services are generally forgotten; and the chancellor replied that it was only a private contract, and had no connection with their corporate privileges. The following, from the "*Times*," will give some idea of the intense anxiety to obtain money: "Yesterday was the day for effecting discounts at the bank on London bills. It is customary to leave them the day before, and the answer is returned on Thursday. The decision

burg, it was necessary to pay a premium of about twenty per cent. on the sum remitted. But when bullion was exchanged against those currencies, the premium on the sum remitted was reduced to between five and eight per cent.; which premium, therefore, expresses the real amount of the exchange against this country; for if, when the paper currency of the Bank of England is exchanged against the pure currencies of the continent, a premium of twenty per cent. must be paid in addition to the sum remitted; and if, when bullion is exchanged, the premium is reduced to five or eight per cent., to what can this difference be imputed but to the inferior value of the paper. Holding this fact, therefore, to be conclusive as to the depreciation of the paper, the only question that remains to be considered is, the cause of that depreciation.—*Edinburgh Review*, Feb., 1826, p. 150.

is usually given before one, at the latest. Long before that hour had struck, the place was besieged; and when at last the expected time came, notice was given that the answers could not be announced till two. Two o'clock arrived, and the anxiety of those who waited was at the highest pitch; and then another notice was given, stating that a further delay must take place till half-past two. During the whole of the period the directors were in close deliberation in the bank parlor. By this time the assembly was immense; and, when intimation was made that the arrangements were complete, a rush, similar to that at a theatre, ensued, to gain access to the window at which answers were to be given. The confusion was so great that when four o'clock arrived the crowd had not dispersed, and it could not be ascertained whether the bills were discounted, or part discounted, or rejected. During the ministration of the clerk at the window he was frequently called away to receive fresh instructions. The directors did all in their power, but that power was limited."

So great was the emergency, that the principals of some of the first mercantile firms waited in person, in anxious expectation, to hear their fate.

The country banking houses were the first to fall. The important York house of WENTWORTH & Co. advertised that they were, "under the most painful circumstances, compelled to suspend payments." £200,000 in notes of their issue were said to be circulated; and the effect of this failure was severe. It was confidently believed at the time that if the London agent had honored WENTWORTH'S bills, all would have been well. Some curious statements were made concerning these transactions; but the probability is, that the London bankers were justified in their proceedings, and the fact that WENTWORTHS were unable to resume payment is some proof of their discretion. It was a time for caution, but it was a time also for kindness and sympathy.

The evil of an unlimited currency* being permitted to firms not sufficiently responsible, was fearfully felt. By an extraordinary anomaly, the bank was without the issue of a single one-pound note; while country bankers, many of whom were mere retail shopkeepers, deluged the provinces with millions. Terrible suffering was spread among the poorest families, with whom these notes circulated. The distress was as extensive. Since the act of 1817, paper had almost supplied the place of gold throughout the provinces. If notes of that kind are to be circulated, wrote the "*Times*," the bank ought to do it; not hovels in the country, dignified by the title of "bank" being written over a dairy or a cheesemonger's shop. The notes of one house were openly sold at 15s. in the pound. To support credit, associations were formed, by the most opulent plugging themselves to take the paper of various firms.

* So long, therefore, as any individual, or association of individuals, may issue notes of a low value, to be used in the common transactions of life, without lodging any security for their ultimate payment, so long is it CERTAIN that those panics which must necessarily occur every now and then, and against which no effectual precaution can be devised, must occasion the destruction of a greater or smaller number of banking establishments, and, by consequence, a ruinous fluctuation in the supply and value of money.—*Edinb. Review*, Feb., 1826.

The stoppage of the bank* of Sir W. ELFORD, at Plymouth, while it added to the alarm in London, created a melancholy scene on the spot. The people were almost frantic. The holders of notes crossed and jostled each other in all directions. There was literally a whole population, with food in abundance staring them in the face, unable to procure it, as nothing but gold would be taken. Daybreak witnessed the bank surrounded by tumultuous mobs, and the civil power mustered in front. "A night of fearful omen succeeded to many an unfortunate family." The run on the Norwich bank was stopped by the notes of the Bank of England being given in exchange.

On the 12th of December, 1825, the crash which struck terror and alarm throughout London, commenced with the partners in the banking house of Sir PETER POLE & Co., which was said to have yielded £40,000 a year for the previous seven years, announcing their incapacity to meet the claims of their creditors. At nine o'clock this stoppage was known, and the exchange was resorted to, to ask the cause, and inquire if other houses were in danger. Forty-four country banks were connected with the firm, and the ruin of many was anticipated. The agitation of the city exceeded every thing that had been witnessed for a century. The funds fluctuated violently. Rumors of the failures of other firms spread rapidly. On the 13th an important house, possessed of half a million of undeniable securities, declared, after a most severe pressure, an inability to meet its creditors. On the 14th, a West-end banker advertised, that though compelled to pause for the present in his payments, he hoped to resume on the following Saturday; and in this he was successful. On the same day the distress was increased by the stoppage of two firms, known as SIKES, SNAITH & Co. and EVERETT, WALKER & Co. The confusion spread. Men ran in alarm and dread to draw the balances from the hands of their bankers. Lombard-street was crowded with persons waiting in anxious fear or idle curiosity. A few gazers around a door were sufficient to create the destructive rumor that a run was made upon the establishment. But there was no occasion for rumor. The people seemed to anticipate that the bankers kept all their deposits to answer unreasonable demands, and that the expense of a banking-house was

* Greatly as the destruction of private fortunes and the wide-spread mischief and ruin occasioned by the late crisis in the money market are to be lamented, it is no small satisfaction to know that they have not proceeded from any thing affecting the foundations of the wealth and prosperity of the country. The sails and rigging of the vessel of State have been torn and injured by the violence of the tempest, but her timbers are as sound and fresh as ever. The bankruptcy and distress in which so many have been involved have come upon us in the midst of profound peace, and at a period when all the great branches of industry—agriculture, manufactures and commerce—were in a state of rapid improvement, and when the public revenue was more than sufficient to meet all the wants of the State. No one, indeed, who has given the least attention to the subject, can suppose for a moment that the late crisis was either primarily occasioned, or in any degree aggravated by a falling off in any of the sources of wealth. It is admitted on all hands that it sprang from a totally different cause—from some defect in the system on which the business of banking is conducted in England; and, while the frightful extent of the evils experienced calls loudly for inquiry into their cause, it at the same time enforces the necessity of adopting some such system as may be fitted to guard effectually against their future occurrence.—*Edinb. Review*, vol. 43, p. 263.

maintained for the sole purpose of benefiting the public. Many a firm, of unimpeachable honor and unquestionable solvency, was compelled to bend before the storm. The merchant looked to his banker for support; but all the efforts of the latter were directed to save himself from destruction. The usual channels of credit were stopped, and the circulation of the country completely deranged. Checks came pouring in from all quarters; and it was remarked, that "the question would soon be, not who goes, but who stands?" On the exchange the names of other firms were openly mentioned; and no report, however absurd, failed to obtain implicit belief.

The "Times," in commenting upon the assistance granted to the house of POLE, THORNTON & Co., remarked, "It is not probable that gold, to a great amount, has been in the first instance transmitted to this house. An additional quantity of paper, convertible, no doubt, into cash, on application to the bank, to the amount of the sum advanced, has been sent into the market. We suppose that the funds possessed by this and other houses, not immediately convertible in the case of a run upon their credit, may consist of mortgages; and, if so, it is a public evil that bankers, the dealers in paper, should have seized so much of the real property of the kingdom, and not left themselves sufficient to meet an emergency. They resemble pike and other rapacious fish, who pursue and seize a gudgeon, which, when they are on the point of swallowing, a larger pike supervenes and appropriates the victim."

The members of the press generally performed their great duty. "It ought to be impressed on all who possess any influence at the present moment," said the "Morning Chronicle," "that a blind selfishness will soon bring its own punishment along with it; that if all persons rush to the banks to draw out their balances, which the bankers must pay instantly, while they cannot compel their debtors to pay the balances due to them, the consequences must be very serious indeed. We can hardly conceive any amount of capital equal to this conflict."

The rumor was spread that a firm in Mansion-House-street had stopped, and an immediate rush took place from the Royal Exchange and stock exchange to discover the truth. So great was the crowd that it was necessary to remove them by force. The clerks grew alarmed at the tumult outside, and rushed simultaneously to the outer desk, in apprehension of a more violent demand than their duty would allow them to meet. "Nefarious attacks," says one, "continue to be made on the credit of other banking houses, by collecting crowds of idle people round their doors, and reporting a run." The distresses of the country people, as day by day, and almost hour by hour, circulars were issued announcing fresh stoppages, baffle belief. Bills might be seen in many of the shops of the different localities, announcing that the banker's notes would be received for goods. One house took £2,000 in this manner. Another was so crowded that the sufferers could only be admitted one at a time. The doors were besieged, and men might be seen issuing burdened with drapery or grocery which they had bought, in preference to retaining the dishonored paper. A Cambridge bank advertised that "they would keep open an hour or two later, and open the next morning an hour earlier; that the holders of their notes, if there be any then in circula-

tion, may have them exchanged for gold or bank paper." The Messrs. GURNEY, at Norwich, by boldness in going beyond their usual line, saved many from ruin, and lost nothing, worthy of notice, through it. But it is to be feared that these are few, though honorable exceptions. An Oxford bank ostentatiously exhibited such a profusion of gold that every one was satisfied, and no person thought of demanding it.

Country bankers from all parts of England were in town, trying to secure cash. The heads of all the London houses were as regular in their attendance as their clerks. It was common to hear of men, worth £100,000, begging the loan of £1,000 as a personal favor, on unexceptionable security. The gloom spread to the exchange. Exchequer bills fell to sixty-five shillings discount, and the brokers closed their books, and refused to engage in any transactions whatever. The bankers from the provinces demanded gold, not to the extent of their circulation, but to the extent of all their engagements of every description, in anticipation of a run. Many packages of gold forwarded to these gentlemen came back unopened. Hundreds of thousands of sovereigns, said Mr. POULETT THOMPSON, were sent, which were returned unpacked and untouched, having been provided only to meet the chance of a run. The Bank of England were called on to supply gold for all the notes of these banks, and post-chaises and four were regularly stationed in Lombard-street all the day. The principal stock was closed at the bank, but transfers were allowed on this occasion up to the last possible period before making out the dividend. One hundred, an unprecedented number, were effected in one day. The partners of London banking-houses were called out of church to answer the expresses of their correspondents; and the latter often carried off a reserve of gold of fifty per cent. more than they were likely to require. The governor and deputy-governor, with many of the directors, were constantly at their post. "They came early and they left late." The guards also remained all day in the building, in case their exertions should be required.

On the 14th December, 1825, a meeting of merchants and traders, only of London, was convened at the Mansion-House, to devise mitigating measures for this calamity. It was stated that the distress arose from want of confidence in men able to pay 40s., 50s. and 60s. in the pound. That those who had any confidence in their bankers ought to continue to pay in their money as usual; and were this done, the whole difficulty would be met. The governor and deputy-governor of the bank* officially communicated to the lord mayor that they would do

* It may easily be conceived what, in a great mercantile community, deeply engaged in the most extensive and onerous engagements, must have been the effect of such a sudden contraction of the currency, at the very time when its expansion was most loudly called for; but imagination itself can hardly conceive the consternation and distress which followed. The country bankers, whose issues had nearly doubled in the preceding year, having reached the enormous amount of £14,000,000, were the first to be assailed. They were besieged with applications from their numerous customers to make advances; but the demand for gold was so excessive that their stock of specie was soon exhausted, and they had no resource but to apply to the Bank of England for assistance. It was the magnitude and constant increase of this demand which constituted the source of embarrassment to that establishment. Very natu-

everything in their power to alleviate the city and country bankers, Mr. ALEXANDER BARING, afterwards Lord Ashburton, in a speech, which, from its energy and insight into business, was calculated to produce a great effect, demanded, after an elaborate picture of the panic, "confidence;" and so great was the impression that the assembly, almost simultaneously, re-echoed the word. After a series of resolutions, in which they determined to support the banking interest to the utmost extent of their capacity, the meeting separated. "One establishment," wrote the "Courier," "falls after another. The fabric of our credit is in flames around us. Five great houses have already been sacrificed to panic; three or four others have suffered immense losses. To withstand a pressure, aid must be given largely and liberally. In the words of Mr. BARING, let us follow general principles in ordinary cases, but in an extraordinary emergency, like the present, let us resort to an adequate, though extraordinary, remedy."

The distress continued to increase. Trade was at a stand. Doubt brooded everywhere. No one knew who was trustworthy. The millionaire of yesterday might be the bankrupt of to-day. It was almost impossible for any man, engaged in business, to know his own position. An order was issued to the officers of the mint to expedite, with all possible dispatch, a coinage of sovereigns; and one hundred and fifty thousand a day were made for the space of a week. Gold coin was sent to every town in the kingdom. Then was the mischief felt of the country bankers having been allowed to continue and increase the circulation of their notes of one and two pounds. There was a constant demand for their gold; and this demand affected the bank, which was, indeed, the only resource; and every house in London found itself under the necessity of meeting the demands made by its depositors, through the medium of the former. Nor were they backward in affording assistance. In a few weeks their discounts rose from five to fifteen millions. Advances were made upon the simple deposits of title-deeds, often without even an examination. Exchequer bills, to an enormous amount, were sold to meet the demand from the mercantile interests. Gold from abroad, and coin from the mint, were constantly arriving at the bank.

Mr. HARMAN said, in his examination before the Parliamentary Committee, "we took stock in as security; we purchased exchequer bills; we not only discounted outright, but we made advances on deposits of bills of exchange to an immense amount; and we were not, on some occasions, over nice, seeing the dreadful state in which the public were."

rally, and, indeed, unavoidably, the bank contracted their issues, which, in the first week of December, were down to £17,000,000. The effect of this was to bring a great number of the private bankers to an immediate stop. In the end of November, the Plymouth Bank failed; this was followed, on the 5th December, by the failure of the house of Sir PETER POLE & Co., in London, which diffused universal consternation, as it had accounts with forty country bankers. The consequences were disastrous in the extreme. In the next three weeks, seventy banks in town and country suspended payment. The London houses were besieged from morning to night by clamorous applicants, all demanding cash for their notes; the Bank of England itself had the utmost difficulty in weathering the storm, and repeated applications were made to government for an order in council suspending cash payments.—ALISON'S *Europe*, vol. 6, p. 248.

The course which the directors adopted, though opposite* to that of 1797, appears to have been correct. Within three weeks they doubled their discounts. From the 11th to the 17th December, 1825, the demand for gold was urgent, incessant and insatiable. A suggestion was made to government for an order in council to restrain the payments in specie, under the apprehension that it might be exhausted. Mr. CANNING is reported to have replied, in one of his emphatic sentences, that "he would never consent to a thing of that sort." But the most extraordinary features of the application was the advice of Mr. HUSKISSON to place a paper against their doors, stating they had not gold to pay with, but expected it shortly. It is, perhaps, more extraordinary that the bank deliberated upon it; but allowances must be made for the agitation and anxiety of the time. That which, ordinarily, is looked upon as unreasonable, assumes a new form under an almost insupportable pressure. For two or three days the most unquestionable security would not procure money; nor could the public funds be said to have a price. There was no market for bank,† there were no buyers of East India stock. It was

* The amount of country notes in circulation, in 1825, was at least from THIRTY to FORTY PER CENT. greater than their amount in 1822. It was this excessive addition to the currency that rendered it redundant, and caused a drain for bullion. And this drain having forced the Bank of England to narrow her issues, a shock was in consequence given to credit; the currency of the metropolis became more valuable than that of the country, and the difficulty of obtaining accommodations in London being increased at the very moment that the notes of the country bankers were beginning to be returned upon them, their embarrassments and ruin inevitably followed. A few isolated failures in different parts of the country served to excite a general panic, and so rapid and sweeping was the destruction, that in the short space of five or six weeks, from sixty to seventy banking establishments were compelled to stop payment.—*Edinburgh Review*, Feb., 1826.

† Bank of England stock, which, in 1825, had brought 299, had at one time this year declined to 193. Consols had declined from $96\frac{2}{3}$ to $73\frac{1}{2}$; the changes from 1821 to 1827 being as follows:

	BANK SHARES.				CONSOLS.				Bank Dividends.
	Lowest.	Highest.		Lowest.	Highest.				
1821,....	221	..	240	..	$68\frac{1}{2}$	..	$78\frac{1}{2}$	..	10 per cent.
1822,....	235	..	252	..	$75\frac{3}{4}$	..	83	..	10 "
1823,....	204	..	246	..	72	..	$85\frac{1}{2}$	..	8 "
1824,....	227	..	245	..	$84\frac{3}{4}$	..	$96\frac{1}{2}$	..	8 "
1825,....	196	..	299	..	75	..	$94\frac{1}{2}$	..	8 "
1826,....	193	..	223	..	$73\frac{1}{2}$	..	$84\frac{1}{2}$	..	8 "
1827,....	200	..	217	..	$76\frac{1}{2}$	..	$89\frac{1}{2}$	..	8 "

"The annals of Great Britain, from 1819 to 1825, are fraught with the most important lessons to the reflecting, on which the attention of statesmen in future times should constantly be fixed. They demonstrate at once the all-importance of the currency upon the fortunes of the country, and illustrate, in the most striking manner, the double set of dangers to which a monetary system, based entirely upon the retention of the precious metals, is exposed. From the first introduction of the metallic system in 1819, to the extension in 1822, the history of the country is nothing but the narrative of the dreadful effects produced by the contraction of the currency to the extent of above a third of its former amount, and the social distress and political agitation consequent on the fall in the price of every article of commerce to little more than the half of its former level. Its annals, from the extension of the currency, in July, 1822, to the dreadful crash of December, 1825, illustrate

the opinion of Mr. HUSKISSON that in forty-eight hours all dealings would have been stopped between man and man, except by way of barter. Owing to the difference in the money and account prices of consols, those bankers, who were compelled to sell stock to raise cash, paid at the rate of 72 per cent. for the necessity. On the 13th the bank raised the discount to five per cent.

A morning journal remarked, "that to inspire confidence in houses which can at last only repay it by insolvency, is to increase a direct wrong, and dreadfully to enhance a great commercial evil. If a house fails, and pays 15s. in the pound, a foolish cry is raised that a little reasonable help would have saved it. Saved what? A house that was, in relation to its debts, one-quarter worse than nothing. Ought such a house to be left standing in a condition where it was every hour made the depository of other people's money? Even if a banker pays 20s. in the pound, and has no surplus afterwards, he is not a legitimate banker; he is trading without a capital, and the least mishap, or the least fall in the public funds, if he buy into them with other men's money, may, in one day, make him an insolvent."

The energy of the direction was great in administering relief to worthy applicants. An eminent country banker was some days in town imploring a loan of £50,000, for which he offered double the security. During his stay a neighboring bank stopped payment; the alarm of the townspeople grew so strong lest his own should follow the example, that they assembled to force, if possible, the payment of their notes; nor could they be dispersed without the aid of the military. On this intelligence reaching London, the 50,000 sovereigns were supplied, with which the banker immediately departed to the scene of confusion. "The town was swept of cash," says one writer, "and such a dearth of this neces-

the opposite set of dangers with which the same system is fraught when the precious metals flow in in abundance, from the undue encouragement given to speculation of every kind by the general rise of prices for a brief period. To make paper plentiful when gold is plentiful, and paper scarce when gold is scarce, is not only a dangerous system at all times, and under all circumstances, but is precisely the reverse of what should be established. It alternately aggravates the dangers arising from over-speculation, and induces the distress consequent on over-contraction. The true system would be the very reverse, and it would prevent the whole evils which the preceding pages have unfolded. It would be based on the principle of making paper a supplement to the metallic currency, and a substitute for it when required, not a representative of it; and plentifully issued when the specie is withdrawn, it should be contracted when it returns."—ALISON'S *Europe*, vol. 6, p. 249.

Mr. ALISON'S theory would not work well. The only sound principle as to currency is to adapt the volume of paper to the volume of gold; let them fall or rise together. The latter should always bear a true relation to the former, and thus, when the earliest indications are given of a decline in the basis, (by foreign export, for instance,) then is the time to discourage that over-trading which an undue expansion of paper is sure to create. This was clearly exhibited in England in 1822-1824, (bringing about the revulsion of 1825,) and in the United States in 1834-1836, (producing, beyond question, the revulsion of 1837,) and again in New-York, from 1849-1857, when the bank circulation was rapidly increased fifty-five per cent., or from \$21,912,000 to \$32,300,000; the latter upon a declining specie reserve and an unfavorable condition of the foreign exchanges, thus producing the revulsion of 1857, by which the property of that State became suddenly depreciated fully three hundred millions of dollars.—*Am. Ed.*

sary commodity ensued, that few persons had five pounds to spare for any purpose whatever." Pawnbrokers and money-lenders were resorted to, till their capitals were exhausted. Scarcely a sovereign was to be seen throughout London which was not new; so active had the authorities been at the mint, and so eagerly had the old coinage been carried from the metropolis. The deficiency in sovereigns was said at one time to be so great at the bank that applicants were compelled to receive half sovereigns in payment.

The gloom which pervaded the metropolis was universal.* A vague feeling of uncertainty as to the issue ripened into an indefinite dread of consequences almost as harassing as the worst reality. A general bankruptcy seemed impending. The impression—for it scarcely amounted to a conviction—that the bank itself, hitherto regarded as almost sacred, was sharing the danger of the time, added to the general anxiety. Up to this period, with the single exception of 1797, the term bank had been synonymous with safety. When, therefore, it was believed that, amid the general wreck and ruin, even the Bank of England was in danger, the great hall of the establishment witnessed an eager proffer of notes in exchange for gold, which, however, was met as promptly as it was made. No attempt was offered to withhold, as in 1797; no attempt to delay, as in 1745. It was, probably, partly owing to the unhesitating readiness with which the gold was paid as fast as it could be demanded, that the confidence of the public was so quickly restored. Had the holders of the notes felt that there was any thing like hesitation, the alarm would have spread indefinitely, and the bank must have suffered in proportion.

The energy displayed in the bank parlor led to the same activity in the executive department. The labor of the clerks was trebled in the discount office; and in others many were kept working long after the ordinary hours. The counters were besieged, and the attendants were wearied with the constant demand for sovereigns. The drain of notes and specie for the country continued to be prodigious. One provincial banker carried with him £300,000; and there was scarcely an establishment throughout the empire which did not apply for help. As it has been in most panics, the country bankers took more than they required, and assisted in bringing on many of the town failures. Counterfeit sovereigns, which rivalled in brightness the new issue, were numerous, as any thing which looked like gold was taken without hesitation. The manufacturers rivalled the mint in activity.

* This melancholy and lamentable revulsion may, we think, be clearly traceable to the unwise expansion of the banks, which, in the first place, encouraged the mania of 1824-5, for speculation, and superinduced the extravagances of that day. The Bank of England had necessarily contracted its circulation from £27,261,600, in 1815, to £18,172,000, in 1822-3. The country banks, at the same time, had reduced their circulation from £19,611,000 to £8,416,000, a total reduction of from £46,272,000 to £26,588,000, or more than forty-two per cent. But instead of gradually increasing this again, there was an expansion, in 1824, more rapid than the late curtailment; paper money thus giving a sudden and violent impulse to our trading, speculation and gambling. Between 1823 and 1825 the Bank of England unwisely enlarged its circulation to £26,069,000, and the country banks to £14,980,000, making an aggregate of £41,049,000, against £26,588,000, as above stated.—*Am. Ed.*

The danger of a run upon any bank cannot be measured. The beginning of a demand for gold may be very trifling; but no sooner is it known that a run is occurring on any establishment, however unquestionable its solidity, than it is indefinitely increased, each man only anxious that the supply should hold out until his claim be satisfied. So great was the demand for one week, that a doubt was seriously entertained by all parties that the bank would scarcely be able to stem the torrent. They had, however, determined to pay to their last guinea. "Another such week," said Mr. RICHARDS, emphatically, "and the bank could not have stood it. Gold was expected; but we were subject to the winds and the waves."

Fortunately, on the last day of the week, the tide turned. It must have done so decidedly, for Mr. RICHARDS to have been "able to call out that all was well," when, reeling with fatigue, he sought Lord LIVERPOOL, with the other members of his majesty's government, on the afternoon of Saturday, the 17th of December, 1825.

The following description of the position of the governor and directors of the bank at this period is from the mouth of its deputy-governor:

"In autumn the bank very seriously began to contemplate what would be the result of the speculations. Not only the bank, but every man's mind connected with the city, was in an extreme state of excitement and alarm. I think I can recollect on the first Saturday in December having come home, after a very weary and anxious day, from the bank, receiving a visit from two members of the committee, and one of our bankers of that class, at my own house, stating the difficulty in which a banker's house near the bank was placed. The object was to ascertain my views. I was called upon in consequence of the governor being connected with the house of POLE & Co. by marriage, and other circumstances. I ventured to encourage these gentlemen, that upon any thing like a fair statement the bank would not let this concern fall through. It was agreed that on the following morning (Sunday) we should meet as many directors as I could get together, with the three gentlemen who had called upon me, and that some eminent merchants, friends of the house, should be called to the meeting, to assist with their opinion. The result was, that the directors authorized their chairs to say, that assistance should not be wanting. It was agreed that £300,000 should be placed at the disposal of POLE & Co. the next morning, on the security of a number of bills of exchange and notes of hand, and over and above a mortgage on Sir PETER POLE's property, which was to ride over the whole. During that week, I believe, the attention of every man was directed much more to the state of that house than to any thing else. They fought through it till Thursday or Friday pretty manfully, and about that time, from a conversation I had with a partner in the house, I was led to fear that it might fail; however, it fought on till Saturday evening. Sunday passed, and on Monday the storm began, and till Saturday night it raged with an intensity* it is impossible for me to de-

* "We were (said Mr. HUSKISSON) within twenty-four hours of barter." (See APPENDIX, for a copious review of this important period.—*Am. Ed.*)

scribe. On the Saturday night it had somewhat abated. The bank had taken a firm and deliberate resolution to make common cause with the country, as far as their humble efforts would go. On Saturday night it was my happiness, when I went up to the cabinet, reeling with fatigue, to be able just to call out to my Lord LIVERPOOL, and to the members of his majesty's government, then present, that all was well. Then, in the following week, things began to get a little more steady, and by the 24th, what with the one pound notes that had gone out, and other things, people began to get satisfied. Then it was, for the first time in a fortnight, that those who had been busied in that terrible scene could recollect that they had families who had some claim upon their attention. It happened to me not to see my children for that week."

The incidental mention to one of the directors that there was a box of one pound notes ready for issue, turned the attention of the authorities to the propriety of attempting to circulate them; and the declaration of Mr. HENRY THORNTON, in 1797, probably occurred, that it was the want of small change, not a necessity for gold, that was felt; and as the pressure on the country banks arose from the holders of the small notes, it was suggested to the government that the public might, perhaps, receive one pound notes in place of sovereigns. The government approved of the idea, and the panic was at its height, when, on Saturday, the 17th of December, 1825, the bank closed its doors, with only £1,027,000* in its cellars.†

It has been frequently stated, that by a mere accident the box of one pound notes was discovered. But such was not the case. Mr. RICHARDS

* The changes in the circulation and coin of the bank were as follows, from February, 1823, to December, 1825:

	<i>Circulation.</i>		<i>Coin and Bullion.</i>
1823, Feb. 28,.....	£ 18,392,000	....	£ 10,384,000
1824, Jan. 28,.....	19,736,000	....	14,200,000
“ April,	19,200,000	....	13,800,000
1825, Feb. 28,.....	20,753,000	....	8,779,000
“ Aug. 31,.....	19,398,000	....	3,534,000
“ Dec. 3,	17,477,000	....	2,167,000
“ Dec. 24,	25,709,000	....	1,024,000

On the part of government it was argued, by Lord LIVERPOOL, the chancellor of the exchequer, Mr. HUSKISSON and Mr. CANNING: “The monetary crisis which this country has recently undergone is evidently owing to the mad speculation of the last two years; and that speculation has been mainly fostered by the vast increase in the issues of country banker's notes, which took place during that period of delusive prosperity. In 1822, before the mania of speculation began, the stamps issued for country bank notes were about £4,200,000 annually; in 1824, when the mania set in, it rose to £6,000,000; and in 1825, when the mania was at its height, it amounted to no less than £8,000,000 annually. This was the amount of stamps usually issued for new notes. The amount actually in circulation was in general about fifty per cent. more at each period, and in 1825 amounted to £14,000,000. The notes of the Bank of England had also increased during the same period, but in a much less degree. The increase in that quarter was only £3,000,000—from £19,000,000, in round numbers, to £22,000,000. The great increase in the currency, therefore, has been in the country bankers' notes; and they are chargeable with all the disasters which have ensued. The only way to prevent a repetition of the evil, is to lay the axe to the root of the cause from which it sprung.—ALISON'S *Europe*.

† In the pamphlet lately published by Lord ASHBURTON is the following remark-

said, "he did not recollect that there were any one pound notes; they were put by. It was the casual observation that there were such things in the house, which suggested to the directors that it would be possible to use them." Application was made to government for permission to issue them; and this was granted, subject to the following stipulations:

"If, for the purpose of meeting the temporary exigency, occasioned by the sudden withdrawal of the country banks' small notes, the bank are disposed to avail themselves of the power which they have, by law, to issue one pound notes, the government will not object to it, provided it is understood to be strictly temporary; and provided that the bank shall take the opportunity of the present state of the exchange to procure a greater fund of treasure, and to promote a more extensive circulation of gold in the country."

The delight with which these notes were received in the country, proved that the want of a secure small currency alone was felt. The knowledge that the provincial banks were constantly breaking, that the parent banks in London were stopping almost as frequently, the fear that universally prevailed with regard to those that were really solvent, brought in the country notes with that rapidity which produced the fearful failures of so many of the body. But that the holders only required to be safe, and that they considered the notes of the corporation eminently so, is proved from the fact of the run suddenly stopping after their introduction.

In Norwich, the Messrs. GURNEY are said to have staid the plague by merely placing a thick pile of one pound notes of the Bank of England on the counter.

"They worked wonders;" said Mr. HARMAN; "as far as my judgment goes, they saved the country." In most of the provinces they were received with acclamation. Within a week from their issue the peril and the panic had passed away, and the moneyed interest had time to look around and count the terrible cost of the yet more terrible dangers to which they had been exposed. Seventy-three town and country bankers had failed in one month; of these, ten resumed payment, their difficulties arising solely from the extraordinary alarm of the time.

It is gratifying to add the opinions of such men as the late Mr. ROTHSCHILD, Mr. GEORGE GROTE and Mr. GEORGE CARR GLYN, upon the conduct of the bank during the emergency. Mr. ROTHSCHILD said, "At the time of the last panic, I think, there was a great deal of credit due to the governor of the bank." On another occasion, he remarked, "I think the bank discounted all the bills sent in as liberally as possible. They discounted everything." Mr. GEORGE GROTE described their conduct "as liberal and daring; but as judicious as proper." Mr. GEORGE CARR GLYN asserted that "the commercial public were exceedingly indebted to them

able paragraph. After saying, "I was called in to counsel with the late Lord LIVERPOOL, Mr. HUSKISSON and the governor of the bank," his lordship proceeds: "The gold of the bank was drained to within a very few thousand pounds; for although the published returns showed a result rather less scandalous, a certain Saturday night closed with nothing worth mentioning remaining."

at that time; they rendered every assistance in their power." Mr. Atwood "gave great praise to the bank for a remarkable degree of moral firmness during this panic, in throwing its notes out into circulation, which prevented a catastrophe so distressing that he would not attempt to describe it."

As a proof of the justice of these opinions, it may be mentioned, that on the 8th December, the discounts amounted to £7,500,000, on the 15th they were £11,500,000, and on the 29th, £15,000,000.

In looking over a list of the joint-stock companies formed during this eventful period,* the names which appear in the lists of directors are remarkable. The greatest, the richest and the most honorable in the city, in some; in others, persons who were borne by the bubbles to the surface, but have now sunk to their original nothingness. Mines were proposed in all parts of the world. One was issued at a premium avowedly for the benefit of the projector. Another was celebrated "for having a vein of tin ore in its bottom, as pure and solid as a tin flagon." A third was pronounced by the directors as "no speculative undertaking—no problematic or visionary scheme—it was founded on a sure and permanent basis, adopted after months of mature consideration, after inquiry, surveys, investigations and reports;" and this was dissolved almost immediately. Another declared that "lumps of pure gold, weighing from two to fifty pounds, were totally neglected," and that its mines alone would yield "considerably more than the quantity necessary for the supply of the whole world." The romantic aspect of the land was described in a fifth; while a sixth, proposing to supply England with granite, lamented, in plausible and poetic strain, the "soft and perishable materials" of the buildings of "the mighty head of a mighty empire." Innumerable laborers and artisans were to be employed, "and," continued the prospectus, "perhaps to the efforts of this company the dingy brick fronts, the disgrace of the metropolis, may give way to more durable and magnificent elevations, worthy of the throne of the queen of isles."

An utter ignorance was shown of the capability of the countries in which many of the mines were to be worked. Expensive machinery was exported. Liberal salaries were given to every individual connected with

* Parliament aided in giving a tone to the mania of the year 1824. At the opening of Parliament, Lord DUBLIN, in his response to the king's speech, said, "Our present prosperity is a prosperity extending to all orders, all professions and all districts; enhanced and invigorated by the flourishing state of all those arts which minister to human comfort. * * * We have now been fully taught that the great commercial prosperity of England has arisen, not from our commercial restrictions, but grown up in spite of them."

"Agricultural distress (said the *Annual Register*) had disappeared. * * This SUBSTANTIAL and SOLD prosperity was stimulated to an additional extent by the operations of the many joint-stock banks and companies which had sprung into sudden existence in the former year. * * * As these speculations still retained their popularity, the *apparent* prosperity arising from their artificial stimulus presented an imposing aspect, and augmented the general enchantment."

Even the "*Quarterly Review*" became a convert to the belief that this sudden prosperity was real, not visionary. "The increased wealth of the middle classes is so obvious, that we can neither walk the fields, visit the shops, nor examine the workshops and storehouses, without being deeply impressed with the changes which a few years have produced."—See *Quarterly Review*, 1824.

the speculations, and Cornish miners, tempted by high wages and higher promises, wandered across the Andes, or tried a fall with the gigantic condor on the "wide, desert plain of Villa Vicencia," as Captain HEAD, sent out on some such expedition, amusingly relates.

But other companies besides mining ones found support. When the bubble burst it was made manifest that an extensive plan of gambling and fraud had been carried on. The old system—for even in defrauding there is nothing new—was adopted. Newspaper puffs, reports and prospectuses, raised many of the companies to a high premium. When the shares were sold the company dissolved, and the projectors sought new schemes and new dupes. One member of Parliament was stated to have been the director of nine companies. "The press," says the editor of the "*Morning Chronicle*," "for the most part by taking shares in these schemes when at a premium, (and we blush to say few editors of newspapers in the metropolis are not to be found in the list of those who benefited by them,) had, at all events, no particular interest in opening the eyes of the public." In one company, the two principal charges were the payments of newspaper puffs and legal expenses.

To read many of the prospectuses, it appeared only necessary to cut a canal, and it would be laden with barges, bearing the industrial produce of the country; and only necessary to send miners to some place with an unpronounceable name, and gold would attend every touch of the laborer's implements. "The Mississippi scheme," says a writer of the day, "was a rational project compared with the extravagance of the expectations held by whole armies of speculators. The sea was to contribute its proportion, and treasures, which had been buried for ages, were called from 'the vasty deep' by the magic and resistless power of steam. In this universal mania men hazarded the savings of a long life of industry; they gazed only on the bright side of the future; they shut their eyes to the reverse. In their region the sun never set."

Mr. HUGHES, in his "History of England," says that the joint-stock companies which, in the plenitude of their imaginary power, would have contracted to throw a bridge across the channel, or make a tunnel to the antipodes, were, for the most part, in the *Gazette*, without a single subscriber, or an available shilling. "They fixed the public gaze," said Mr. CANNING, in one of his brilliant orations, "and excited the public avidity so as to cover us, in the eyes of foreign nations, if not with disgrace, at least with ridicule. They sprung up after the dawn of the morning, and had passed away before the dews of the evening descended. They came over the land like a cloud; they rose like bubbles of vapor towards the heavens, and, destroyed by the puncture of a pin, they sunk to the earth and were seen no more."

It was openly declared that a member of Parliament received £500 a year from each of two companies, for the protection of their rights. Some senators, for supporting gas companies, had their houses lighted for nothing, while shares which bore a good premium were allotted to others, for their assistance in the Commons.

From the pamphlets of Mr. ENGLISH, published in 1827, the following list of companies are copied, that the reader may form some idea of the enormous nature of the proposed speculations:

History of the Bank of England.

EXISTING.	Capital.	Amount paid.	Present value.	Amount liable to be called.	Amount of shares.
44 Mining com's,	£ 26,776,000	.. £ 5,455,100	£ 2,927,350	£ 21,320,900	.. 358,700
20 Gas do.	9,061,000	.. 2,162,000	.. 1,504,625	.. 6,899,000	.. 152,140
14 Insurance do.	28,120,000	.. 2,247,000	.. 1,606,000	.. 25,873,000	.. 545,000
49 Miscellaneous,	38,824,600	.. 5,321,850	.. 3,265,975	.. 33,502,750	.. 562,500
127	£ 102,781,600	£ 15,185,950	£ 9,303,950	£ 87,595,650	.. 1,618,340
ABANDONED.	Capital.	Amount paid.	Number of shares.		
16 Mining companies,	£ 5,585,000	.. £ 400,900	..	98,200	
9 Investment do.	8,550,000	.. 746,000	..	78,500	
20 Canal, rail-road, &c., companies,	19,135,000	.. 393,375	..	246,000	
30 Steam companies,	2,927,500	.. 79,900	..	35,650	
43 Miscellaneous companies,	20,409,000	.. 799,500	..	390,250	
118 Companies,	£ 56,606,500	.. £ 2,419,675	..	848,600	
PROJECTED.	Capital.	Number of shares.			
14 Mining companies,	£ 6,009,000	..	80,300		
9 Gas do.	3,016,000	..	48,800		
19 Investment do.	44,050,000	..	608,000		
6 Insurance do.	7,700,000	..	106,000		
11 Trading do.	10,450,000	..	85,000		
26 Building do.	13,781,000	..	164,900		
18 Dock, canal, &c., companies,	13,851,000	..	164,410		
16 Rail-road do.	11,065,000	..	131,800		
37 Steam do.	5,628,000	..	89,570		
23 Provision do.	8,360,000	..	674,000		
57 Miscellaneous do.	19,700,000	..	382,600		
236	£ 143,610,000	..	2,535,380		
GENERAL SUMMARY.	Capital required.	Amount actually advanced.	Number of shares.		
127 Companies now existing,	£ 102,781,600	.. £ 15,185,950	..	1,618,340	
118 do. abandoned,	56,606,500	.. 2,419,675	..	848,600	
236 do. projected,	143,610,000	..	..	2,535,380	
143 do. projected, (No. 2.)		..	..
not particularized,	69,175,000	..	..	959,000	
624	£ 372,173,100	.. £ 17,605,625	..	5,961,320	

Nor will the accompanying list of foreign loans, contracted for in 1824 and 1825, be less interesting to the reader :

FOREIGN LOANS CONTRACTED FOR

IN 1824.	Nominal capital.	Contract price.	Money advanced.
Austria, five per cent.,	£ 3,500,000	.. 82½	.. £ 2,887,500
Brazil, do.	1,200,000	.. 75	.. 900,000
Portugal, do.	1,500,000	.. 87	.. 1,305,000
Greece, do.	800,000	.. 59	.. 472,000
Columbia, six per cent.,	4,750,000	.. 88½	.. 4,203,750
Buenos Ayres, do.	1,000,000	.. 85	.. 850,000
Mexico, five per cent.,	3,200,000	.. 58	.. 1,856,000
Peru, six per cent.,	750,000	.. 77	.. 577,500
Naples, five per cent.,	2,500,000	.. 92½	.. 2,312,500
	£ 19,200,000		£ 15,364,250

In 1825.	Nominal Capital.	Contract price.	Money advanced.
Brazil, five per cent.,.....	£ 2,000,000	.. 85	.. £ 1,700,000
Mexico, six per cent.,.....	3,200,000	.. 89½	.. 2,872,000
Greece, five per cent.,.....	2,000,000	.. 56½	.. 1,130,000
Denmark, three per cent.,.....	3,625,000	.. 75½	.. 2,718,750
Peru, six per cent.,.....	616,000	.. 78	.. 480,480
Guatemala, six per cent.,.....	1,428,571	.. 73	.. 1,042,988
	£ 12,869,571		£ 9,944,218
SUMMARY.			
	Capital.		Amount advanced.
Foreign loans of 1824,.....	£ 19,200,000	....	£ 15,364,250
Do. do. 1825,.....	12,869,571	....	9,944,218
Total,.....	£ 32,069,571	....	£ 25,308,468

At the time, the panic was generally traced to the issues of the country bankers. The fact is unquestionable that their circulation was enormously increased; and it is equally so that the misery of the provincial population was painful in the extreme, from the failure of so many of the body. It is impossible to imagine the aggregate wretchedness which this must have occasioned. Domestic distress, ties broken, families disunited, these were the individual fruits which resulted from houses being permitted to circulate to any extent notes which, in many instances, proved only valuable as waste paper. The cause which had operated to increase the country circulation was the first departure from the principles of Mr. PEELE'S currency bill, and whether it occasioned or not, it at least aggravated the evil to an enormous degree.

It was a further proof that the currency of the country should have been in the hands of a bank, the solidity of which, says ADAM SMITH, is equal to that of government.* To preserve our social system we levied taxes, declared war, chose senators, held courts of justice, and yet, up to 1825, any person calling himself a country banker, though in some instances not rising above the level of a small trader, was allowed to issue, to an illimitable extent, the very notes which penetrated through and influenced every grade of social life. The great bank of the empire was constantly called on for returns, lest its governors should be too liberal with their paper, while the pettiest banker in the provinces was only self-

* Ministers carried their measures by an overwhelming majority; Mr. BARING'S amendment, that "it is not expedient, in the present disturbed state of public and private credit, to enter upon the consideration of the banking system of the country," having been lost by a majority of 193, the number being 232 to 39. In the House of Lords the preponderance was equally great, the numbers being so decisive that the matter was not pressed to a division. The prohibition to issue £2 and £1 notes was at the same time extended to the Bank of England, by a majority of 66 to 7, in the face of a protest by Mr. GURNEY, that "if government destroyed all the country bankers' notes, and at the same time stopped the issue of small notes by the Bank of England, they would leave the country in a state of destitution of which they could form no adequate conception." This observation produced no sort of impression, and it passed into a law that stamps for £2 and £1 notes should no longer be issued either to the Bank of England or country banks, and that, at the expiration of three years from March, 1826, that is, in March, 1829, their circulation should be prohibited altogether in England.—ALISON'S *Europe*.

controlled. The result is evident. Seventy country banks failed, and the poor man, whose time is money, was told in the House of Commons, with a refinement of cruelty, that he ought to have deposited his earnings in a savings bank, "when," said Mr. PEEL, in a few indignant words which spoke volumes for the inefficiency of the present system, the "savings bank was perhaps twenty miles from his home."

The following opinions, as to the cause of the panic, are important in proving the difficulty of arriving at a just conclusion, or interesting, as they evince the bias of each speaker, springing either from his predetermined notions, or from the natural prejudices of his position. Three out of the four unfavorable to the corporation were country bankers, or directors of joint-stock banks. To Mr. WILKINS, a provincial banker and an issuer of paper, great praise is due for the honesty which produced an avowal contrary to his own advantage; and so much at variance with the general opinions of the interest he represented.

Mr. GURNEY considered it impossible to define the whole of the causes of that very remarkable crisis; but it certainly was not the over-issue of the country bankers. He believed that every thing which caused great facility in money transactions tended that way; and that the great reduction in the duties on many foreign articles of production, contributed to it. Mr. STUCKEY thought that it arose mainly from an over-issue of the Bank of England paper, while Mr. WILKINS gave it as his opinion that the distress and failures of the period were owing to the excessive issue of the country bankers.

Mr. ROTHSCHILD thought it might be assisted by the great speculation in different articles; an immense amount of bills had been drawn upon this country from almost every quarter, of which he received, in two months, from a million to a million and a half sterling. An immense deal of specie had been sent to the continent to take up those bills. When the bank found that gold was going away, they would not discount. There was an immense deal of speculation in corn, and the bank refused to discount the corn and other bills. Mr. DYER believed that the bank had been the cause of the panic, and of a constant succession of little panics, continually annoying the commerce of the country. Mr. BURT was of opinion that the crisis was first caused by the Bank of England; and afterwards the bank remedied it in the best way it could. The opinion of Mr. PALMER is presented at length, because it enters more calmly into the question, and because, from his position, he could best afford to regard it in a dispassionate light:

"I have always considered that reduction of interest, one-fifth in one case and one-eighth in the other, to have created that feverish feeling in the minds of the public at large, which prompted almost every body to entertain any proposition for investment, however absurd, which was tendered. The excitement of that period was further promoted by the acknowledgment of the South American republics, by this country, and the inducements held out for engaging in mining operations, and loans to those governments, in which all classes of the community in England seem to have partaken. Almost simultaneously with those speculations arose general speculation in commercial produce, which had an effect of disturbing the relative values between this and other countries, and cre-

ating an unfavorable foreign exchange, which continued from October, 1824, to November, 1825, causing a very considerable export of bullion from the bank—about seven millions and a half. The bank were, even at the latter period, sufficiently provided with bullion for their own purposes; and had it not been for the internal demands to which I have alluded in the former part of my evidence, would have weathered the storm.”

Mr. RICHARDS thought that the reduction of interest by the government, and that the statements made in the royal speech of the unbounded prosperity of the country, had buoyed up the public mind, and that “the bank had continued then, as it always invariably did, as steady a course as it was possible for a body of that magnitude, moving, at best, but slowly, as, from necessity, it must move, to have done.”

To the judgment of the reader must be left the task of reconciling these conflicting views. They have been presented at some length, because the importance of the period demands an extensive inquiry.

From the failure of so many private bankers, a great number of accounts were transferred to the Bank of England. Up to 1826, £10 had been the lowest sum allowed to be drawn; but this was reduced to £5, to facilitate business. On the 17th December government raised the interest on exchequer bills to 2d. per cent. per diem. A message was forwarded to the India house requesting a postponement of the indigo sale for three or four months; and, at the desire of some influential gentlemen, one public sale was actually delayed on the plea that, however responsible the buyers might imagine themselves, it was impossible to know whether they would be able to pay for the goods they bought. While all the other banking houses were in a state of trepidation, the “*Courier*” remarks, that Messrs. Courts & Co. had not a single check drawn upon them more than was warranted by the ordinary demand of business.

The manufacturing and trading interests felt the depression long after the cause had ceased. Money was so scarce with the former, that large orders, which arrived from Germany, were unable to be executed. One house, carrying on an extensive business, sent an agent to collect debts in the north, to the amount of £80,000. After an absence of six weeks he returned from his tour with no more than £500. An application for assistance, founded on this distress, was made to government. Mr. WILSON, member for the city, said, that the difficulties demanded attention. The relief he asked for might be granted with safety. Cotton had fallen from 12d. to 6d. per pound, and no sales could be effected. What risk would there be in advancing 3d. per pound? Yet such an advantage would save many a merchant from ruin, and prevent hundreds of operatives of being thrown out of employment, and would be, therefore, of the utmost importance.

The reply of Mr. ROBINSON, chancellor of the exchequer, was that a compliance with this proposition would be attended with consequences more prejudicial than the relief would be serviceable. “But,” he added, “if government, by administering any relief in the money market, could tender any effectual assistance, it would be found most ready and willing to do so. If, for instance, in the absorption of the exchequer

bills, by the purchase of them by the bank, any pressure of that kind could be removed, government would be most happy in forwarding such a measure." After some negotiation between the Bank of England and the ministry, the following was addressed to the governor and deputy-governor :

"Gentlemen,—Under all the circumstances of the present distress in the city and country, it appears to us that it would be advantageous, with a view to public and private credit, if the bank were to give directions for the purchase of exchequer bills to the amount of £2,000,000. If the bank shall agree to this proposal, we engage to submit to Parliament the necessary measures for the repayment of the same between this period and the 14th Jure next.

"We have the honor to be, gentlemen,

"Your most obedient servants,

"LIVERPOOL,

"FREDERICK JOHN ROBINSON."

It was therefore resolved, "That the governor be authorized to purchase exchequer bills to an amount not exceeding £2,000,000, on condition that the repayment be made within four months."

As a conclusion to this chapter, and as, perhaps, the true origin of the crisis is here stated, the following, from the pen of one who, if he had not had riches "thrust upon him," would, in all probability, have been a great man, instead of being simply a great banker, is well worthy an attentive perusal. There is the finest of all philosophies, the philosophy of nature, in the remark. "The history of what we are in the habit of calling the 'state of trade' is an instructive lesson. We find it subject to various conditions which are periodically returning ; it revolves apparently in an established cycle. First we find it in a state of quiescence—next improvement—growing confidence—prosperity—excitement—over-trading—convulsion—pressure—stagnation—distress—ending again in quiescence."

NOTE.—It was not proposed, in the first instance, (1825-1826,) to extinguish small notes in Scotland, but the known opinions of government, and the course of examination by the adherents of administration of the witnesses who were questioned on the subject in committees of both Houses of Parliament, left no room for doubt that, in the next session at latest, the law would be made the same in both ends of the island, and that the fate of Scotch and Irish notes would be sealed. In this extremity was seen what can be effected by the vigor and patriotism of one man. As soon as it was known in Edinburgh that the Scotch notes were seriously threatened, there appeared in the columns of the *Weekly Journal*, a paper conducted by the Messrs. BALLANTYNE, a series of papers on this subject, signed "MALACHI MALAGROWTHER," in which the public soon recognised the vigor, sagacity, and fearless determination of Sir WALTER SCOTT. Albeit, closely connected both by political principle and private friendship with the administration, that great man did not hesitate a moment to break off from them on this momentous question, and to sacrifice both a sense of past obligations and the hopes of future preferment on the altar of patriotic duty. His efforts were crowned with entire success. Scotland rose as one man at the voice of the mighty enchanter; petitions against the threatened change crowded in from all sides and the most influential quarters. Ireland followed in the wake of its more energetic and far-seeing rival; and in the end ministers gave a reluctant consent. The decisive words were at length wrung from Mr. HUSKISSON, "Well, let them keep their rags, since they will have them."—ALISON'S *Europe*.

CHAPTER XIX.

EFFECTS OF THE PANIC OF DECEMBER, 1825—ALTERATION IN THE CHARTER—PARLIAM-
ENTARY DEBATES—OPINIONS ON THE CURRENCY—ASSISTANCE TO THE MERCANTILE
INTEREST—TABLE OF ADVANCES—LEGAL DECISION—EXTENSION OF THE BRANCHES—
JEALOUSY OF THE COUNTRY BANKERS—NEW $3\frac{1}{2}$ PER CENTS.—USES OF BANK NOTES—
DANGER OF THE BANK—ITS ORIGIN—RUN UPON THE BANK IN 1832—POLITICAL CAUSES
—DUKE OF WELLINGTON.

THE crisis of 1825, which, it has been seen, produced an effect so extraordinary as to be paralleled by no personal recollection, induced a searching inquiry into the cause. Many opinions were published, and almost every man had his theory. The Bank of England was denounced by a few; and the over-issue of the country bankers by many. By some the company was considered the shield, by others as the destroyer of national credit; and a most important effect was produced to the corporation through the panic, as a negotiation was opened by the government in which they expressed their desire of establishing the banking system on a firmer foundation. In January a correspondence, of which the following is an analysis, passed between the governor and deputy-governor with the first lord of the treasury and the chancellor of the exchequer. After stating that the principal cause of the recent distress was to be traced to the rash spirit of speculation, supported, fostered, and encouraged by the private banks, the paper proceeds:

“The remedy for this evil must be found in an improvement of the circulation of the country paper; and the first measure that has suggested itself to most of those who have considered the subject, is a recurrence to gold circulation throughout the country, by a repeal of the act which permits country banks to issue one and two pound notes until the year 1833, and by the immediate prohibition of any such issues at the expiration of two or three years from the present period.” After saying, “we believe that much of the prosperity of the country for the last century is to be attributed to the general wisdom, justice and fairness of the dealings of the bank,” they proceeded to state, “There appear to be two modes of obtaining a sound system of banking throughout the country. 1st. That the Bank of England should establish branches of its own in different parts of the country. 2d. That the bank should give up its exclusive privilege as to the number of partners engaged in banking except within a certain distance of the metropolis. With regard to the first, it would be quite impossible, under present circumstances, for the bank to carry into execution such a system to the extent necessary for providing for the wants of the country. There remains, therefore, the other plan—the surrender by the bank of their exclusive privilege, as to the number of partners beyond a certain distance from the metropolis.”

It was indicated that if the bank should demand a renewal of their charter from 1833 as the price of this concession, it would not be allowed. “Such privileges,” was the ominous remark, “are out of

fashion." "It is to be hoped that the bank will make no difficulty in giving up their exclusive rights, in respect to the number of partners engaged in banking, as to any district —— miles from the metropolis."

The reply of the directors was to the point; and the last paragraph, containing the result, was as follows:

"Under the uncertainty in which the court of directors find themselves with respect to the details of the plans of government, and the effect which they may have on the interests of the bank, this court cannot feel justified in recommending to their proprietors to give up the privilege which they now enjoy, sanctioned and confirmed as it is by the solemn acts of the legislature." In return to this, the government said, "that they were quite willing to remove this uncertainty, but against any proposition for compensation they formally protested. If the bank, however, should be of opinion that this ought to be accompanied with other concessions, and that it should not be made without them, it was for the bank to bring forward such conditions."

On this point the bank committee came to a resolution of which the following is an abstract: "That the committee of treasury of the Bank of England had taken into consideration the paper of the 23d instant, from the Earl of Liverpool and the chancellor of the exchequer, and, finding that ministers persevered in the restriction of their exclusive privileges, and also that it did not seem likely they would call upon Parliament to renew these privileges after the present term of their charter, as well as that the application was founded upon a generally received notice of its public benefit; finding all these matters, the committee of treasury declared their readiness to recommend to the court of directors a negotiation for the proposed surrender of their privileges, founded upon the basis of the act of Parliament, which stipulated that the Bank of Ireland should have an extension of its charter after the time at present assigned by law; relinquishing the claim, however, to a prolongation, upon the condition that the new partnership privilege for private banks should not be available within sixty-five miles (fifty miles was the Irish act) of the metropolis, and should make proper arrangements for individual responsibility of the partners." The proposition contained in the above resolution was accepted, and the government concluded by recommending the establishment of branch banks, being decidedly of opinion that, under proper regulations, they would be highly advantageous to the bank and the community.

A general meeting of the proprietors was called to confirm or reject the proposed arrangement. Opinions were very much divided. One party strongly maintained that the proposition had nothing equal; that all the benefit would accrue to the country at the expense of the bank, and that it was unjust to call upon them to lay open their charter for the public good, without an adequate recompense. By others it was urged, that it would not hurt the real interests of the bank; and that all the exertions of the directors to obtain compensation would be unavailing. The agreement was confirmed almost unanimously; and the following tribute paid to the management of the corporation during the panic: "That this court desire to express the grateful sense they entertain of the decision, liberality and judgment with which the directors

came forward in support of public credit in a late crisis of unexampled pressure and commercial difficulty."

On the 10th February,* 1826, the chancellor of the exchequer moved, "That all promissory notes payable to the bearer on demand, issued by the Bank of England, or by any English bankers, and stamped on 5th February, 1826, or previously, should not be allowed to circulate beyond the 5th February, 1829." This motion was carried in the lower house, the members of which entered warmly into the question; but the government was determined to prevent, or at least lessen the chance of panics for the future. A varied and eager debate ensued. It was asserted that in all great commercial countries commercial crises like that of 1825 had occurred. That where there were great enterprises there must be great occasional reverses. "It would be impolitic and unsafe to await returning prosperity," said Mr. PEELE, "which would make the country banks more reluctant to agree to it, and more able to oppose it. It appears to me that the time has arrived when we can carry the measure into effect; that we are upon the brink of the river, that the ford is passable, and that if we permit the opportunity of taking our passage to pass by, we shall imitate the folly of the rustic, who waited on the bank expecting the stream would pass away."

During one of the debates,† Mr. BARING argued, that the result of the measure would be "an immediate, sudden and precipitate withdrawal from circulation of one pound notes of the country banks." It was, undoubtedly, the interest of these gentlemen and of the country to spread the diminution over as great a space of time as was practicable. "But," said Mr. CANNING, "reports have reached her majesty's ministers from various parts of the country, that many of the country bankers, in violation of the good faith which persons in their situation ought to keep with the public, have begun to act upon the principle of a sudden contraction of their circulation." This gentleman contended, that if such a practice should become general, and the Bank of England be deprived of the power of issuing one pound notes, the same species of crisis would ensue as occurred in December. To meet this evil it was arranged that "during the three years, when the notes of country bankers should not be issued, unless stamped prior to 5th February, the notes of the Bank of England should continue to be circulated, though stamped up till the 10th October."

The question of a mixed currency was mooted, and denounced with great force by many of the members. It was said that "all experience

* By the act passed in February, 1826, regarding small notes, it had been provided, that though no new stamps were to be issued for small notes after its date, the notes already in circulation were to continue to circulate, and be received as a legal tender for three years longer. These three years expired in March, 1829, and all notes in England below £5 immediately disappeared from the circulation. Great was the effect of this decisive change upon the fortunes and well-being of the industrious classes, both in town and country, over the whole nation.—ALISON'S *Europe*, vol. 6, p. 318.

† To be convinced of the decisive effect which the destruction of small notes, and entire founding of the currency on gold, has had on the future destinies of Great Britain, we have only to cast our eyes on the table below, which shows the

proved, the restoration of a metallic issue could not be effected so long as small notes were permitted; that wherever there was a paper circulation of the same denomination as the metallic currency, the coin was sure to be expelled by the paper; and it was argued, again, by others, that a mixed issue would be more beneficial, in many respects, than a purely metallic one. In a pamphlet, published some years afterwards, entitled, "The Currency, its Laws, Evils and Remedies," which attracted considerable attention at the period, it was said, that by the system then in operation, "whilst money was becoming scarce, the Bank of England sold securities to make it scarcer; and when money was decreasing in value, and becoming plentiful, the Bank of England bought securities to make it more so." "Now, however much that is to be regretted," continued the writer, "yet the bank directors are absolutely obliged to entail upon the commercial community all the evils resulting from this course, so long as the legislation compel them to pay their notes, always on demand, for gold.

"For should they not sell securities when the exchanges are adverse, they would not be able sufficiently to lower the price of goods, nor would they be able to turn the exchanges before the stock of gold was exhausted. But if the bank directors are obliged to sell securities on an adverse exchange, they must be compelled to purchase the securities back again, when the exchanges are favorable. Because if they did not,

immediate effect of these changes on the prices of commodities, and the speedy result of their decline or rise in inducing or preventing political change.—ALISON'S *Europe*, vol. 6.

Amount of Paper in circulation, the Exports, Imports and Revenue, with the great changes in Great Britain in every year from 1818 to 1832, both inclusive:

Y'rs.	Bank of England Notes.	Country Banks.	Total.	Commercial Paper dis- counted at bank.	Exports, declared value.	Imports, official value.	Revenue.
1818,	£26,202,150	.. £20,507,000	.. £46,709,150	.. £5,113,748	.. £46,112,800	.. £36,885,182	.. £53,747,795
Bank Restriction Act passed July 7, 1819.							
1819,	25,252,600	.. 15,701,328	.. 40,953,928	.. 6,321,402	.. 34,881,727	.. 30,776,810	.. 52,648,847
1820,	24,299,840	.. 10,576,245	.. 34,875,785	.. 4,672,123	.. 36,126,322	.. 32,438,650	.. 54,282,958
1821,	20,295,300	.. 8,256,180	.. 28,551,480	.. 2,772,587	.. 36,333,102	.. 30,792,760	.. 55,834,192
1822,	17,464,790	.. 8,416,430	.. 25,881,220	.. 3,622,151	.. 36,650,039	.. 30,500,094	.. 53,663,650
Small notes prolonged for ten years, July 7, 1822.							
1823,	19,231,240	.. 9,920,074	.. 29,151,314	.. 5,624,693	.. 36,375,342	.. 35,798,707	.. 57,672,999
1824,	20,132,120	.. 12,831,352	.. 32,963,472	.. 6,255,343	.. 38,422,312	.. 37,552,935	.. 59,362,403
1825,	19,398,840	.. 14,980,168	.. 39,379,008	.. 7,691,464	.. 38,870,851	.. 44,137,482	.. 57,273,869
Small notes limited to three years, February 26, 1826.							
1826,	21,563,560	.. 8,656,101	.. 30,219,661	.. 7,369,749	.. 31,536,724	.. 37,686,113	.. 54,894,989
1827,	22,747,600	.. 9,985,800	.. 32,732,900	.. 3,869,725	.. 36,860,376	.. 44,887,774	.. 54,932,518
1828,	21,357,510	.. 10,121,476	.. 31,478,986	.. 3,322,754	.. 36,433,328	.. 45,028,805	.. 55,187,142
Catholic emancipation passed April 13, 1827.—Small notes extinguished February 26, 1829.							
1829,	19,547,380	.. 8,130,137	.. 27,877,517	.. 4,589,370	.. 35,522,627	.. 43,981,317	.. 50,786,682
1830,	21,464,700	.. 7,841,396	.. 29,306,096	.. 3,654,071	.. 37,927,561	.. 46,245,241	.. 50,056,616
1831,	18,533,630	.. 7,914,216	.. 26,452,846	.. 5,843,478	.. 36,859,738	.. 49,713,889	.. 46,424,440
1832,	18,542,000	.. 8,221,895	.. 26,763,895	.. 3,247,169	.. 36,133,098	.. 44,586,741	.. 46,988,755

—PORTER, third edition, pp. 356, 359, 360, 475. TOOKE "On Prices," vol. 2, pp. 382, 383, 387, 389.

on the next adverse exchange they would have less power, for they would have less securities to sell, and there must ultimately come a time when the bank shall have got rid of all its marketable securities, and then, as a manager of the circulation, it would exist no longer. As a remedy for this, at once simple and effectual, it is proposed that the legislature allow the bank, at its discretion, to issue one and two pound notes.

“This will enable the bank to act as bullion merchants. When the stock of bullion has decreased by five millions, for example, the bank directors can say to the merchant, as they do now when he comes for discount, ‘Bullion is much in demand; we are purchasers rather than sellers, but you can have it, if necessary to you, at £3 18s. per ounce.’ Or, in other words, they can ask such a price for gold that it cannot be exported for profit, whilst no impediment is offered by the price charged to the legitimate transactions of trade.”

Such are the varying opinions of clever men upon the subject of the circulation.* But the difference of creeds on the topic of the currency cannot be more explicitly expressed than in the following commencement of Mr. WARDE NORMAN’S pamphlet: “Of all the great questions that have for many years occupied public attention, there is not one on which opinions have prevailed more discordant, or less reconcilable, for the most part, to sound principles, than the important subject of currency and banking. The discussions in the periodical press, which on other matters have so greatly tended to enlighten and instruct, upon these seem calculated almost universally to darken and mislead.”

Mr. ROBINSON left to Lord Liverpool, in the upper house, the task of proposing the clause by which the Bank of England were to establish branches in various parts of the empire, and submit to the throwing open their charter by the establishment of joint-stock banks with more than six partners; and the following paragraph expressed the feeling which was so general at the period. Those only who had witnessed the failures of the country banks could appreciate the distress occasioned by them. “I must enter my protest,” said his lordship, “against the present system, where you allow liberty to all that is rotten and bad, while your restrictions apply only to what is solid and good. Where you permit any shoemaker, grocer, or cheesemonger to establish a bank, but where more than six respectable persons are joined, they may form no establishment, if the crown cannot grant them a charter.” “There is one consolation,” he added, “that, if we are to be liable to crises of great difficulty, it will not fall exclusively upon those least able to support them—the poorer classes of society. I am drawing no imaginary picture, for

* What the legislature should have done in 1826 on this all-important question is sufficiently obvious, and had been so clearly pointed out by experience, that, had not a small but influential portion of the community, who, from their wealth got the command of the public press, been interested on the other side, it was impossible that the proper remedy could have been mistaken. What brought on the crisis was the entire dependence of the circulation on gold, which inflamed speculation as much in 1824 and 1825, when the precious metals were plentiful, credit high, and prices of every thing were rising, as it starved industry and ruined credit in the end of 1825, when twelve millions of sovereigns were drawn away to South America.—ALISON’S *Europe*.

I have witnessed many such scenes, when I say, conceive these poor creatures, who, in return for their labor, have received these worthless bits of paper, obliged to hawk them about, and part with them for whatever they can get, to purchase the necessaries of life for them and their starving families."

The following is a summary of the bill for the better regulation of copartnerships of certain bankers in England :

"Bodies politic, corporate, or partnerships consisting of any number of partners, may carry on business as bankers, anywhere not within sixty-five miles of London, provided none of them have banking establishments in London; that they are all individually liable for the issues and debts of the copartnerships; they must neither issue nor pay any bill within the prescribed limits at a shorter date than six months, nor for a less sum than £50.

"The names of the firm, and the names of the partners, are to be duly registered, of which registration they are to receive a certificate from the stamp office. The names of those who cease to be partners and enter as partners, during the course of each year, must also be registered."

That a check on country bankers was necessary, may be gathered from the fact that, previous to the act of 1775, notes for sums as small as ten and five shillings were issued by some, while others circulated them to the value of sixpence.

An unanimous feeling pervaded all parties that it was necessary to provide some relief for the mercantile interest. The force of public opinion, the increasing agitation of the commercial world, petitions from the most important persons in the city, and deputations from all the great trading and manufacturing interests, convinced the government that the period had arrived when something must be done to mitigate the prevailing agitation. After some consultation with the directors, the following memorandum was forwarded by the first lord of the treasury and the chancellor of the exchequer :

"1. In the event of the bank consenting to advance money upon the security of goods, under the present circumstances of the country, it is understood that these advances should not exceed the sum of three millions in the whole.

"2. That, assimilating the principle of these advances to advances made in the ordinary course of discount upon bills of exchange, they shall be subject to repayment in three months.

"3. The government to propose to Parliament that the provisions of the act respecting merchant and factor, which will be in force in October next, shall be brought into immediate operation in respect to any goods which may be pledged to the bank under the proposed arrangement.

"4. If the bank should think proper to make advances in conformity with these suggestions, the government engage to submit to Parliament the necessary measures for enabling them to reduce the present amount of the advances of the bank to the government, by a repayment of six millions; such repayment to be made as soon as may be practicable, and at all events before the close of the present session of Parliament."

The directors of the Bank of England, therefore, feeling that this dis-

press* was harassing to the public interest, determined to do all in their power to relieve it, and agreed to make advances to private individuals on the deposit of goods, merchandise, and other securities, to the amount of three millions; and in the principal commercial districts commissioners were appointed to carry the arrangement into execution.

But the very fact that such an intervention had taken place was almost sufficient to prevent the want of it. When the capitalist who had hitherto held timidly aloof saw a proverbially cautious company advancing its funds, his fears were dissipated, his own coffers became unlocked, and, with a renewed confidence, he followed in the same path, and returned to his ordinary sources of gain.

The bank found that the sums required fell far short of the three millions set apart to this object, and in some of the provincial towns the commissioners were in the enjoyment of sinecures. The most honorable moderation was used in asking for advances, and those parties who were compelled to apply, are stated to have shown an earnest desire to receive only the smallest sum which would suffice to meet their immediate wants.

The following is a list of the places, with the total advance to the manufacturers in each :

Manchester,.....	£ 115,490
Glasgow,.....	81,700
Sheffield,.....	59,500
Liverpool,.....	41,450
Huddersfield,.....	30,300
Birmingham,.....	19,600
Dundee,.....	16,500
Norwich,.....	2,400

To carry out the various measures resulting from the panic, different acts of Parliament were passed, one of which was to facilitate the loan of money on deposits and pledges, by which all persons in possession of bills of lading were to be regarded as owners of the property represented, to secure to the bank a legal claim on the deposits. By the act, also, which prohibited the circulation of small notes after 1829, a weekly return was to be made to the treasury by the Bank of England, of the notes in circulation under £5; and after 1829, all notes below £20 were to be made payable at the place from which they were issued.

In February, 1826, a stock-broker was robbed of two notes, one of

* On the one hand, it was maintained by Mr. ATTWOOD and Mr. BARING: "It was in the power of the legislature to inflict upon the country such a metallic currency, and in such circumstances as they chose, but it was not in their power to control the effects of such a change. Introduced in 1819, rendered more stringent in 1826 and 1829, it had altered the nature of all contracts, and, for the great profit of capitalists and fund-holders, spread ruin through the industrious classes in the country. During former periods there had been, it is true, many instances of some local or temporary distress, but they had been passing only, and the general career of national prosperity had been upon the whole uninterrupted. But, when the act of the legislature forced us back to a metallic currency, distress, universal in its extent, and deplorable in its effects, followed upon the change; and such distress had regularly occurred whenever we approached, even, the ruinous measure of setting up an exclusive gold currency."

£500 and another of £50. The necessary information was given at the police-office, and the notes stopped at the bank. In May, one of these was presented for payment through Messrs. JONES, LLOYD & Co., and the directors refused to give credit for it, on the ground that it was stolen, and that they had been directed to retain it until the right owner could be discovered. Messrs. JONES, LLOYD & Co. next requested that it might be returned, but this was also declined. A question then arose whether it had been received in the regular transactions of business. The character of the gentleman who had sent it, a M. DE LA CHAUMETTE, was indisputable, but beyond this the question seemed doubtful. The law had long since decided that if a proper consideration were given for a note, the holder was entitled to recover its value, although it might have been stolen before it came into his possession. But if it should have been lost by felony, fraud or accident, no property in it passed to the thief or finder, or to any other person having a knowledge of the circumstances, or who did not receive it in the customary way of business. In summing up the evidence, Lord TENTERDEN said, the only question to decide was, whether the note had been obtained according to the usual mode of dealing, in the place where it had been purchased. The jury immediately decided against the bank, and from this period they have ceased to detain stopped notes.

The extension of the branches of the Bank of England was not viewed with favor by the country bankers, whose influence, importance and profits were, in many instances, depreciated by them. The great trust with which these branches were viewed, attracted many of the customers of the private establishments, although a further advantage was to be procured by remaining with the latter, in an allowance of interest on deposits. In addition, they had previously charged five per cent. discount, and in some places even an extra per centage as commission; the branches, by performing the same business at four per cent., had reduced these profits, and compelled them to lower their terms. The country bankers, therefore, in 1827,* alarmed at what they regarded as a dangerous increase of the branch banks, endeavored to organize a system of opposition to that which they termed an undue extension of influence. Nor is this to be wondered at. Men rarely argue calmly when their interests are at stake, and are often most partial when they plume themselves upon their impartiality. Meetings were held in London by the leading provincial bankers, and a natural regard for their private interests made them believe their own welfare an inseparable part of the prosperity of the nation, which was, in their opinion, endangered by the establishment of the branch banks. A deputation was appointed to wait on the first lord of the treasury, (Lord GODERICH,) and Mr. HERRIES, then chancellor of the exchequer. The following are the most important points urged by the deputation, and principally affect the corporation of the Bank of England:

“That the late measures of the Bank of England, in the establishment of branch banks, have the evident tendency to subvert the general banking system that has long existed throughout the country, and which has

* The death of Mr. CANNING, premier, occurred August 8, 1827, aged 57.

grown up with, and been adapted to the wants and conveniences of the public.

“That it can be distinctly proved that the prosperity of trade, the support of agriculture, the increase of the national revenue, are intimately connected with the existing system of banking.

“That the country bankers would not complain of rival establishments founded upon equal terms; but they do complain of being required to compete with a great company, possessing a monopoly and exclusive privileges.

“That should this great corporation, conducted by directors who are not personally responsible, succeed by means of these exclusive advantages, in their apparent object of supplanting the existing banking establishments, they will thereby be rendered masters of the circulation of the country, which they will be enabled to contract or expand according to their own will; and thus be armed with a tremendous power and influence, dangerous to the stability of the property and the independence of the country.”

The reply made by Lord GODERICH, as first minister of the crown, and by Mr. HERRIES, as chancellor of the exchequer, was polite and diplomatic, but unsatisfactory. “They were fully sensible of the great importance of the subjects which were brought before them by the deputation, and although it was obviously impossible they could undertake, on the part of the government, to express upon that occasion any opinion upon the matters under consideration, they could assure the deputation that all that had been communicated should receive the most deliberate and serious attention.” Other topics of complaint arose from time to time, one of which was, that the branch banks refused to take the notes of the country bankers, unless an account had been previously opened with them.

Twenty years have passed, and the above resolutions are all answered by the simple fact, that the number of branches of the Bank of England throughout the entire kingdom amounts to thirteen. To prove that objections which are really tenable, are met by government, it may be stated that another very fair subject of complaint was, that the issue of the branch banks was subject to a less amount of stamp duty than that of the country bankers, who claimed a right of being included in the composition of the parent bank of £3,500 for every million circulated. The bankers of Birmingham and its environs proved that, for a twenty-one days' bill on London, they paid three shillings and six pence, while the branches paid but five pence; and that for a yearly circulation of £10,000 in bills of exchange of £20 each, the former would pay £650, while to the latter the cost would be but £35. The claim made by the country bankers was equitable, and they were, by 9 GEO. IV., c. 23, allowed to compound for their notes on the same terms as the bank. The composition also included bills drawn on London at twenty-one days' date.

The objections of the provincial bankers to the branches of the Bank of England are interesting, proving, as they do, the jealousy which springs from small causes, and the difficulty which generally exists in the establishment of a new principle.

In this year* the directors commenced a system which has been found of great benefit to the monetary interest. The period during which the stocks were closed to prepare for the payment of dividends, prevented many persons from availing themselves of those funds to which they looked for support, and occasioned a pressure on the money market. For the relief of this, a notice was issued to the effect, that the directors would be ready to receive applications for loans, on the security of bills of exchange, exchequer bills, and East India bonds, at three per cent. These loans, which were proposed to commence on the 5th December, 1829, were to be for sums of not less than £2,000, for a period of not less than ten days, and were to be repaid on or before the succeeding 15th of January. On the same day, also, the 3d December, 1829, notice was given that, from and after that day the bank would be ready to receive applications for loans on the deposit of gold bullion, to be valued at 77s. 9d. per ounce, at £2 per cent. per annum.

In 1830, the interest on the new four per cent. stocks, which had already been reduced from five per cent., was again reduced to three and a half, from which operation they derived their name of the "New 3½ per cents."

The uses of bank notes are manifold; but the following is a novel mode of rendering them serviceable. One of these for £5 came in the

*The leading commercial and financial events of the ten years, 1821-1830, were as follow:

1821.—Gold sovereigns were issued from the mint. Cession of Florida by the Spanish government to the United States. Captains PARRY and LYON'S expedition to the Arctic Ocean, left England 30th March. Bank of England resumed specie payments. 1822.—Funeral of COURTS, the London banker, 4th March. Bank of England advanced their rate of discount to four per cent., June 20. The first cotton-mill in Lowell erected. 1823.—Revival of business in the English factories. 1824.—Advance in the prices of agricultural produce in England. Act passed for the Thames Tunnel, 24th June. FAUNTLEROY, banker, hung for forgery, 30th November. Champlain Canal, New-York, completed. Speculation rife in England. 1825.—Panic in the English money market, December. Failure of numerous country banks. Departure of FRANKLIN and LYON'S Arctic Expedition. Erie Canal completed. 1826.—Mr. HUSKISSON'S free trade policy advocated in the House of Commons by vote of 223 to 40. Coin in Bank of England reduced to £2,460,000, 28th February. Lotteries suppressed by act of Parliament, October 18th. 1827.—Commercial confidence restored in England, and employment for the poor. "Society for the Diffusion of Useful Knowledge" established, at the instance of Lord BROUGHAM. Anti-slave trade law passed in France. Union Canal, Pennsylvania, completed. Quincy Rail-Road completed. 1828.—Branches of the Bank of England established. Delaware and Hudson Canal, Syracuse and Oswego Canal, New-York, completed. India-rubber goods manufactured in Connecticut. Sliding scale duties on corn adopted. The National Bank of Greece founded. 1829.—Increase of silk manufactures in England, and reduction of duty on raw silk. Prize awarded to Mr. STEPHENSON for his locomotive engine on the Liverpool and Manchester Railway. Subscription by Congress to the Chesapeake and Ohio Canal, May 3. Departure of Captain Ross on his Arctic voyage of discovery. Chesapeake and Delaware Canal opened, 17th October. 1830.—Opening of the Liverpool and Manchester Railway, 15th September. Sudden death of Mr. HUSKISSON. Free navigation of the Black Sea opened to the United States by treaty, 7th May. CHARLES X. fled from Paris, 31st July. West India trade with the United States opened to British vessels. Independence of Belgium acknowledged. Pennsylvania State Canal finished. Four per cent. bank annuities reduced. Stoppage of the Bank of Lisbon.

course of business to a mercantile house in Liverpool. On the back of it was written: "If this note gets into the hands of JOHN DEAN, of Longhill, near Carlisle, his brother ANDREW is a prisoner in Algiers." The circumstance was interesting and appeared in a newspaper, in which the paragraph was perused by a person in Carlisle, who had known in past years one ANDREW DEAN, and was still acquainted with his brother JOHN DEAN, of the place named in the note. The son of the latter happened to be in Carlisle, and hearing the intelligence, gave such a report of his uncle that there was every reason to believe he was the ANDREW DEAN whose captivity became thus singularly known to his friends in England. Of these things are formed the romance of life; and the impossibility of assisting the Algerine slave must often have been a painful remembrance to the prisoner's brother.

The danger which has always threatened the bank, when large bodies of disaffected men are drawn together, was renewed in November, 1830.* The period was one of doubt and dread. An impulse had been given to all Europe; and France had again taken the initiative in spreading a desire for change. The tenth CHARLES proved a true Bourbon; the spirit of the people burst forth in opposition to the tyranny of the monarch and his ministers, and Great Britain once more sheltered the royalty of France. The spirit spread over Europe. Belgium was separated from Holland. Saxony taught her indolent monarch that there was a limit to human endurance. The free city of Hamburg felt the influence; and Switzerland in her beautiful canton of Berne, responded to the cry. Poland once more re-asserted her ancient rights, expelled the garrison of her despotic monarch from Warsaw, and proclaimed herself free. England felt that mighty and revolutionary spirit. The demands for reform grew earnest and incessant. Ireland was told by the liberator "to look at France and Belgium." Kent, the garden of England, witnessed the first disturbances. Night after night, conflagrations were lighted up by bands of incendiaries. Mills were attacked. Machinery was demolished. All protection for property seemed at an end. Rioters spread terror and alarm throughout the day; night was the signal for blazing fires, which excited a fearful shudder in those who beheld them. London felt the desire of change and clamored for an improved representation. The Duke of Wellington indicated his intention of resisting any measure of reform which might be produced, and he grew as unpopular as a statesman as he had been popular as a soldier.

On Tuesday, the 9th of November, the sovereign was expected to dine

* With this mournful catastrophe, (the death of Mr. Huskisson, September 15th, 1830,) and thus baptized in blood, did the railway system arise in England. Rapid beyond all human calculation was the progress which it made, and boundless beyond all human ken are the effects which it has produced. Like most of the discoveries destined to produce great and lasting changes on human affairs, its introduction owed little to science, by which it was distrusted, and its effects did not immediately develop themselves. But ere long they were fully made manifest, and they have now in a manner changed the whole face of society in the civilized world. Before the year 1850, no less than eleven hundred and eleven acts of Parliament had been passed to form new lines or extend old ones; and the capital authorized to be expended on them amounted to the enormous sum of £348,012,188.—*Edinb. Rev.*

with the civic authorities, but the prevalent feeling of discontent rendered this visit not advisable in the eyes of the lord mayor elect, who had received various letters, stating that it was the intention of a set of desperate men to attack the duke, and believing himself justified by the various symptoms of disaffection, which were visible to all, he addressed a communication to his grace, which, from its alarming character, prevented the projected visit. There was cause for apprehension, and even alarm. Private information had been received by the ministry of an attack upon the residence of the Duke* of Wellington. Inflammatory hand-bills were circulated. "Not written papers," said Sir ROBERT PEEL, "drawn up by illiterate persons and casually dropped in the streets, but printed hand-bills, not ill-adapted for the mischievous purpose they were intended to answer." Under these, and various other circumstances, the government advised his majesty to defer the visit.

"As soon as this determination became known," says Mr. HUGHES, "consternation pervaded all ranks. Men believed that some atrocious conspiracy against the royal person had been discovered, or even that a revolution was at hand. The public funds fell, and mercantile confidence was generally interrupted. The entertainment at Guildhall was deferred, and instead of civic festivities the city was disturbed with the rumbling of artillery, and the passage of troops. The tower ditch was filled with water, and other precautions taken to put that fortress into a state of security. Extra guards were placed at the bank, and at the magazine, in Hyde Park; while large bodies of troops were billeted in the neighborhood of the metropolis."

The effect of this upon the minds of the citizens was instantaneous. Arms were purchased and doors were fastened, as if the banner of rebellion had been displayed in the streets. In an hour and a half consols fell three per cent. The bank directors felt the danger of their position. The public thoroughfares were crowded with earnest and anxious countenances. Questions were asked concerning the approaching danger, which no one could answer. Every one seemed to expect some strange and mysterious calamity. Small bodies of men, pouring from their suburban localities, passed the depository of the wealth of the country, and no one knew with what intention. The rumor spread that Temple bar and the

* "When I find," said Sir F. BURDETT, "the Prime Minister of England (the Duke of Wellington) so shamefully insensible to suffering and distress, which are painfully apparent throughout the land; when, instead of meeting such an overwhelming pressure of necessity with some measures of relief, or some attempt at relief, he seeks to stifle every important inquiry; when he calls that a partial and temporary evil, which is both long-lived and universal, I cannot look on such a mournful crisis, in which public misfortune is insulted by ministerial apathy, without hailing any prospect of change in the system which has produced it. What shall we say to the ignorance which can attribute our distresses to the introduction of machinery and the application of steam, that noble improvement in the inventions of man, to which men of science and intelligence mainly ascribe our prosperity? I feel a high and unfeigned respect for that illustrious person's abilities in the field; but I cannot help thinking that he did himself no less than justice when he said, a few months before he accepted office, that he should be a fit inmate for an asylum of a peculiar nature, if he ever were induced to take such a burden on his shoulders."—*Mirror of Parliament*, vol. 1, p. 67.

bridges were to be barricaded, the gas cut off, and the plunder of the city to follow. It was felt that the populace would have discriminated sufficiently for their own interests to have pillaged the bank. A tri-colored flag was borne by the mob. By six o'clock in the evening all shops were closed, and every appearance of business at an end. All the assistants were required to remain at the Bank of England, as the possibility of attack was feared. Some casks of biscuits were ordered in to provide against the wants of a siege, in case the mob should be sufficiently desperate, or sufficiently strong to attack it. But the civil authorities were able to meet the rioters. A few broken heads cooled their courage; and after venting their disapprobation in groans and hisses for the unpopular ministry, and destroying the windows of a police station, for which their occupation gave them an especial dislike, they dispersed, without committing any of the dreaded enormities. The bank directors were relieved from fear, and the clerks released from the civic garrison. "Scarcely were twenty-four hours passed over," said a writer of the day, "when men were laughing at the foolish trepidation into which they had been betrayed, and wondering where any feeling of alarm could have arisen." If their rejoicings were in proportion to their fears, they were, doubtless, very hearty. It is the nature of mankind to laugh at past, and magnify future fears.*

From the pamphlet of Mr. PALMER, the following is given as a clear, succinct account of the financial position of the bank from 1830 to 1832. Nor can a better or sounder authority be taken: "It was shown, in evidence," says this gentleman, in his "Causes and Consequences of the Pressure on the Money Market," "that the policy pursued by the bank, subsequent to the withdrawal of the £1 and £2 notes in England and

* SIR JAMES GRAHAM made the following remarks, which, however true at the time, were, perhaps, more to be admired for their oratorical power than their statesmanlike wisdom: "Sir, I have heard something of the luxury of the present times. I do not know whether the example was drawn from the gorgeous palaces of kings or the rival palaces of ministers, splendidly provided for them by the public, or from the banquets of some East India director, gorged with the monopoly of the China trade, or from some Jew contractor, who supplies hostile armies with gold, drawn from the coffers of the Bank of England, and lends money to France, arising out of profits or loans contracted here in depreciated paper, but which must be paid in gold. But I must take leave to remark, that we ought not to draw our notions of the state of the country from scenes such as these.

'Ye friends to truth, ye statesmen who survey
The rich man's joys increase, the poor decay,
'Tis yours to judge how wide the limits stand
Between a splendid and a happy land.'

"Where, I ask, are all the boasted advantages of this once happy country? Where are all the blessings which once distinguished her? Where are all the comforts which her children enjoyed for ages? [Alas! with deep regret I witness that all, all are gone. Pinching hunger and gloomy despair now usurp their station. The weavers throughout the country are only earning 4s. 2d. a week, and their food is oat-meal, water and potatoes. They work fourteen or sixteen hours a day, and yet they can only earn this scanty pittance to support their wives and families. It is an extraordinary fact, that by dint of labor the power-looms (which were supposed to have caused their distress) are absolutely underwrought by these almost starving people."—*Mirror of Parliament*, vol. 1.

Wales, had been to maintain their securities, as nearly as possible, at a fixed amount, and to allow the contraction of the currency, effected by the return of bank notes for bullion, gradually to proceed until the value of the paper money, remaining in circulation, was so far increased as to occasion the return of that specie to the bank which might have been exported, and thus to replace the currency upon a level with that of other countries. That system had appeared to work satisfactorily, and without any forced action, on the part of the bank, in contracting its circulation. It was tried upon the change of government in France, in July, 1830, when credit throughout that kingdom was shaken to its foundation. At that period the Bank of England was possessed of twelve millions of bullion. Immediately on the events referred to taking place, the currency of England exhibited an excess compared with France and other parts of Europe. The consequence of that derangement between the currencies of this and other countries was a continued diminution of the bullion held by the bank, from July, 1830, to February or March, 1832, when the increased value of money in England, and the gradual restoration of credit on the continent, gave a favorable turn to the foreign exchanges, which continued in our favor till the autumn of 1833, at which time the bullion, in deposits, amounted to nearly eleven millions. At this period an exportation of the precious metals again commenced, from causes that will hereafter be explained, as well as the reason why that system, which appeared to adjust itself so satisfactorily from 1830 to 1832, failed from 1833 to 1836; for, although during the former period the bullion in the bank was diminished from twelve to five millions, yet, in the progress of this reduction, as there was no excitement and no undue credit given by the bank in the interior of the country, the interest of money gradually rose from two and a half to four per cent. per annum for first-rate commercial paper, and then, without discredit or distrust of any kind, the bullion returned into the coffers of the bank, and money nearly resumed its former value, having gradually fallen from four to two and three-quarters per cent. in July, 1833."

The causes alluded to by Mr. PALMER were the over-issues of the joint-stock banks, of which forty-two were established in eleven months. The principal number of these were banks of issue, and whether they caused the difficulties hereafter to be related, or not, they must have had a direct influence on the circulation.

By a revision and melting of the silver coin in 1831, the bank lost on the sixpenny pieces £4,601 1s. 3d., and on other denominations £62,982 19s. 2d., making a total loss of £67,584 0s. 5d.

In 1832 occurred the last run upon the bullion of the bank, occasioned by political causes. The Reform Bill, introduced by Lord JOHN RUSSELL, had stirred party feeling to its very depths. The powerful owners of what were termed pocket boroughs, saw their property attacked, and their influence depreciated. The measure was negatived by a majority of eight. The king went down to the House of Lords, "and, in the midst of one of the most extraordinary scenes that ever occurred in that place," prorogued Parliament until the 10th of May. The excitement was increased by a general election, and popular feeling triumphed; but the license exceeded any thing ever witnessed under similar circumstances.

Life and property were no longer secure to those candidates who opposed the measure. An opponent of the bill was stoned before the altar. Conscientiousness was regarded as obstinacy, and the only hope for opposing candidates was to be found in flight or concealment.

In the lower house the bill was again introduced, and passed by a large majority. The speech made by Lord BROUGHAM in the upper, was so extraordinary in its varied sarcasm, learning and great earnestness, that one of the public came down to the Bank of England, and transferred £200 into his lordship's name, as a testimony of his appreciation. The measure was rejected in the House of Lords. A strange feeling of excitement spread throughout the country. Meetings were held all over England, by all classes, pledging themselves to the support of government. The lord mayor and corporation, attended by 50,000 followers, presented an address to the throne. The principal opponents of the bill were marked with the disapprobation of the populace. The residence of the Duke of Wellington was attacked. A shower of stones bore the Marquis of Londonderry from his horse, as the most unanswerable of all arguments. The Duke of Cumberland was dragged to the ground, and would probably have been killed but for the interference of the police. The mansion of the Duke of Newcastle, the head of the borough proprietors, was fired. The Archbishop of Canterbury was insulted; and Bristol emulated the London riots of 1780. In the following December, the same scenes, but with increased violence, recurred. The ministry resigned.

Lord LYNCHURST was sent for, and on communicating with the Duke of Wellington, "I should be ashamed to crawl about this metropolis if, under such circumstances, I did not go to the king," were the first words of the "Iron Duke."*

The knowledge that the great opponent of the bill was likely to be recalled, spread throughout the metropolis. Staves, with the tri-colored device painted on them, and sticks, with concealed swords, were sold in great quantities, while the demand for bludgeons could scarcely be supplied. A speaker of the Birmingham Political Union, amidst the shouts of assembled multitudes, called on his hearers to pay no taxes until the bill should be passed, while a forest of hands sprung up in answer to his solemn but most misguided appeal. The small speakers of their neighborhoods—men who electrified their families with the force of their lungs,

* In truth, the Duke of Wellington's position as prime-minister, so far from being an enviable one, was among the most critical and painful that could be imagined. Like Mr. BURKE, after his secession from the Whigs in 1793, he might have said, "There is a severance which cannot be healed; I have lost my old friends, and am too old to make new ones." He had no party in the House of Commons, no real colleagues in the Cabinet. The Duke's speech on the distresses of the country met the question boldly and openly, in his usual straightforward way; but nothing can be more evident than that it involved the most obvious fallacies. He said that the currency, including gold and silver, was as large as it had been at the highest period during the war; forgetting that, since its termination, the nation had advanced a fourth in numbers, and a half in industry and commerce, and that, to render the currency commensurate to its necessities, it should not have remained the same, but advanced in a similar proportion. Probably the Duke would have given a sharp answer to his Commissary-General, in 1813, if he had proposed the same amount of rations for his army, then 75,000 strong, which had sufficed for it in the preceding year, when it was 45,000 only.—ALISON'S *Europe*.

and called themselves orators—were in great requisition; and the burden of their song was the favorite one of “pay no taxes—pay no taxes.”

A terrible excitement was exhibited throughout England. “Preparations,” says one writer, “were made for a great public tragedy.” Warrants were prepared; the leaders of political unions were to be apprehended; troops began to march on disaffected places; and the monetary interest felt the shock. On every wall throughout the metropolis the significant words of—“Stop the Duke! Go for gold!” were boldly placarded. For a week the corporation sustained a run upon its specie, which was reduced to £4,919,000. In one day £307,000 were paid. It soon became very questionable whether the run for gold would not drain every banker in the kingdom; and the writing on the wall spake to those having authority with a power far exceeding the most brilliant oratory. Lord LYNDEHURST found it impossible to form a ministry; and Earl GREY was recalled.

That the demand was political was proved from the trifling nature of the applications from the country bankers. “I never saw the hall of the bank,” said Mr. RICHARDS, in his evidence in 1832, “except in 1825, so crowded with applicants tendering their notes. They had not, in general, the appearance of being people from the country.” One person who had money with JONES, LLOYD & Co. to the amount of £20,000, drew it out from them in the form of notes, and then went to the bank and demanded gold. The London bankers found that the claims extended to their establishments. Several refused to pay in gold, but, on giving notes, said, “You may go and get gold for them at the bank.” The stockholders took alarm, sold their government securities, and demanded specie in return. The funds were low; and when the panic had subsided and confidence re-appeared, the same persons brought back their sovereigns and repurchased their stock at a heavy loss. It is impossible to say how far the panic would have spread, had the one pound notes been in existence. But it is far from improbable that out of the extensive organization which then existed, some deeply rooted scheme for a simultaneous demand might have arisen, and produced consequences as unforeseen as terrible. As it was, £1,500,000 were paid in a few days, but no further evil occurred to the Bank of England.*

* What rendered the great increase in the expenditure and taxation of France in 1830 still more exasperating, was its advent at a time when the industrial resources of the kingdom, so far from increasing, were rapidly diminishing, and the general misery of the country was, in consequence, at its height. Statistical facts, of unquestionable authenticity, which the government of LOUIS PHILIPPE itself has adduced, prove this beyond a doubt. The commercial paper, under discount at the Bank of France, which, in 1829, had been 129,000,000 francs, (£5,400,000,) had sunk in 1832 to 29,000,000 francs, (£1,140,000.) The sums advanced by the Bank of France to the public exchequer, which in 1828 had been 73,000,000 francs, (£2,700,000,) had risen in 1830 to 291,500,000 francs, (£11,600,000.) The five per cents which, in 1829, had been all 109.85 cents, sunk in 1831 to 74.75 cents. The exports in the former year had been 504,247,000 francs, (£20,200,000,) in the latter, they had sunk to 455,000,000 francs; (£18,200,000;) the imports, which, in the first year, had been 483,000,000 francs, (£19,200,000,) had sunk in the last to 374,000,000 francs, (£15,570,000.) So great a diminution of receipts, and increase of burdens in so short a time, indicated in the clearest manner the calamitous action of the revolution on the industry and resources of the nation.—ALISON'S *Europe*, vol. 6, p. 430.

CHAPTER XX.

FORGERY—ENDEAVOR TO PREVENT IT—COMMITTEE APPOINTED—INCREASE OF THE CRIME—SIR SAMUEL ROMILLY AND SIR JAMES MACKINTOSH—PROGRESS OF OPINION—PETITION OF THE BANKERS—INEFFICACY OF THE PUNISHMENT—INSTANCE OF IT—FORGERIES OF BONAPARTE.

PREVIOUS to the year 1819, the severity of that part of our penal code which awarded the punishment of death for forging or uttering forged notes, together with the defective nature of the paper and the facility with which it was imitated, attracted the attention of scientific and benevolent men, who endeavored, by writing and by declamation, to procure either an alteration of the law or an improvement in the note. The reluctance of juries to convict was evident so early as 1819; and from that period it continued to increase. The exactitude with which the bank circulation was copied, and the ease with which, therefore, it would deceive the intelligent as well as the illiterate, through the hands of the latter of whom the small notes principally circulated, was proved, to use the words of the committee of the Society of Arts, by "the notorious fact, corroborated by evidence produced at several recent trials, that forged notes have passed undetected through the scrutiny of the bank inspectors."*

The above committee entered into an investigation to ascertain whether there existed any means within the compass of the fine or the mechanical arts of increasing the difficulty of imitation, and thus of checking the prevalence of crime.

The conviction that some check was necessary grew more and

* Forgery, it must be remembered, is an evil inseparable from the use of money—an abatement from the innumerable advantages of which it has been productive. Whatever commodity may be adopted to serve as a circulating medium, it must, in the nature of things, be a hopeless task to attempt to guard completely against the efforts of the issuers of spurious money. If the currency consists of paper, it will be counterfeited; and if it consists of the precious metals, they will be adulterated and debased. All that can be done is to throw obstacles in the way of forgery—to render it, if possible, a work of extreme difficulty; and there is no good reason for supposing that it would be more difficult to do this with notes than with coins. Indeed, the very contrary seems to be established.

* * * Money is by far the most important of all the measures used in a State; and if it be, as it undoubtedly is, most proper and expedient to take measures for rendering all foot-rules of the same length, and all bushels of the same capacity, it must be equally proper and expedient to take measures to prevent any variation in the measure of value, or, which is the same thing, in the value of money. The justice of this principle is obvious; and the legislature has already on many occasions recognised it. At present, the notes of the Bank of England, and of the country banks, are prevented from circulating as money unless they are made payable on demand; and it is admitted, on all hands, that this is a most proper regulation. But why is it proper? Because it prevents any considerable excess of paper getting into circulation, and hinders it, so long as it continues to circulate, from being depreciated as compared with gold.—*Edinburgh Review*, February, 1826.

more peremptory as the evils of the system were exposed. In fourteen years from the first issue of small notes, the number of convictions was centupled. In the ten first years of the present century, £101,661 were refused payment on the plea of forgery. In the two years preceding the appointment of the commission directed by government to inquire into the facts connected with forging notes, nearly £60,000 were presented, being an increase of 300 per cent. In 1797, the entire cost of prosecutions for forgeries was £1,500, and in the last three months of 1818 it was near £20,000. Sir SAMUEL ROMILLY said, that "pardons were sometimes found necessary; but few were granted except under circumstances of peculiar qualification and mitigation. He believed the sense and feeling of the people of England were against the punishment of death for forgery. It was clear the severity of the punishment had not prevented the crimes."

The bank directors were blamed on all sides for their presumed apathy. Every person who had proposed a plan, and had it declined, joined the cry. Every disappointed adventurer who had asked for bank capital to carry out his operations, asserted that they had not inquired into the particulars, but had dismissed an excellent proposal without due consideration.

The publication of the truth in the report of the committee exonerated the establishment from charges which, if true, demanded attention. It has been already stated that one hundred and eight projects, regularly classified and arranged, with specimens of the proposed originals, and successful imitations executed by the bank engraver, were placed before the commissioners, who concurred in the opinion that neither of them could have been advantageously carried into effect. Seventy varieties of paper were shown, in which every alteration recommended had been tried; while, in some instances, the directors had furnished to the proposers the pecuniary means of carrying their ideas into effect. It has been seen that the result of the inquiry was, that in July, 1820, an act of Parliament received the royal assent for the further prevention of forging and counterfeiting bank paper. In it the note was described, and the exclusive privilege of using this plan was granted to the bank. By the same act, the governor and company were authorized to engrave the signatures on the notes instead of signing them, as heretofore; a privilege, however, of which they have not found it convenient to avail themselves.

What one man can engrave another can imitate, and the evil continued; although, from the return to cash payments, and the diminution of small notes, the forgeries also diminished. The greatest minds in England had been employed in attempting to alter the mischievous nature of the law. The names of Sir SAMUEL ROMILLY and Sir JAMES MACKINTOSH—men who lived before their time, and who can only be fully honored by posterity—stand proudly and prominently in the van of improvement. They died without witnessing the accomplishment of the object to which much of their energy and intellect had been devoted. But since that period the world has moved onward in the great march of civilization. Much has been realized that our forefathers believed to be impracticable. It has been discovered that many things which were looked upon with an almost religious veneration as unalterable facts, were unalterable falla-

cies. We are beginning to discover that cleanliness is a vast assistance to morality; that education is the right of the poor as well as the privilege of the rich. We have found out that to prevent a crime is better than to punish it; we have discovered, too, and it has penetrated to our commercial hearts, that it will cost less to teach a man to be good than to punish him for being bad.

But this was not the case even a quarter of a century ago. Men were hung in strings. Monday mornings witnessed a waste of human life alike horrifying and disgraceful. Prosecutions increased; enormous expenses were incurred; "examples were made," to use the cant of the period, and what was the result? The crime continued. From one or two manufactories issued most, if not all, the forged notes which were in circulation; and the manufacturer of thousands remained unscathed, while the issuer of one was hung. They were sold to ignorant, uneducated, and almost irresponsible men, for a few shillings in the pound; and there were always a sufficient number, urged by want, desire, or vice, to run the risk which accompanied their circulation. While only such as these were punished, the great mass of the public looked upon their deaths as virtuous atonements; and thought that an occasional blood-letting was as good for a nation as for an individual. But when a gentleman, an educated man, or a banker, was found in danger of the same punishment, the morbid sympathy of the people was excited; the *PERREAUS*, the *DODDS*, the *RYLANDS*, and the *FAUNTLEROYS*, were looked upon as the porcelain compared with the common clay, and every exertion was made to save them from their doom. Thank God, that since then we have discovered a man in fustian feels as much as a gentleman in broadcloth—that death is as difficult to the hardfaring as to the luxurious man—and that the vicious poor has as deep ties, as warm affections, as strong sympathies, wherewith to make death dreadful, as the vicious rich man. It has been found that the punishment of the crime does not fall solely upon the criminal, but that the agony of parting, and the despair of the fatal moment, is shared by the parent, the wife, the child, and falls with an equal, and certainly with a more enduring force, upon the head of the survivor, who bears the agony, the ignominy, and the shame, without having participated in the guilt.

And who shall say how many have been unjustly deprived of life, and how many have left families behind them unprotected, untaught, and compelled either to follow the fatal footsteps of their parents or to starve?

The press generally, throughout the period, bore manful testimony to the evil. The "*Edinburgh Review*" devoted its pages to the topic with an energy and a zeal worthy of success. "No subject," says this organ of public opinion, "so deeply or so constantly engrossed Sir SAMUEL ROMILLY's regards, as the severity of our criminal code. He was the first person who broached the question fairly and systematically in Parliament, and he shared the fate of all propounders of change in any institution; he was derided by some, pitied by others, by not a few execrated, by almost all regarded as the advocate of a desperate cause." "Upon Sir SAMUEL ROMILLY's lamented death, the reform of the criminal law was taken up by Sir JAMES MACKINTOSH, with congenial feelings

and great resources of learning, philosophy, and eloquence, and a large experience derived from his political station. All the friends of enlightened and humane legislation cheerfully rallied round so able a leader; and he was, of course, vehemently opposed by the government of the country."

"The bank hangings still continue," says one authority, with a contemptuous tone, "that can only be palliated by the honesty of its opinions and the importance of its cause." "The bank prosecutions," says another, "are increasing to a frightful extent. At the April sessions (1820) there were more than forty persons under capital charges; and though only a fortnight has elapsed, the number at the present session is twenty."

The circumstances of many of the cases were strongly represented. All that could interest the feelings was brought forward, until men who were sentenced to be hung began to look upon themselves as victims, were carried by main force to the scaffold, yelling vain cries of murder from its fearful height, and denouncing all connected with their doom. And yet the evil continued. Jurors again and again refused to convict upon the clearest proof. "Men were every day seen submitting to be plundered by forgers rather than prosecute; others were observed to favor in all ways the escape of the worst criminals, by suppressing evidence, and even by giving in verdicts of acquittal, when evidence was adduced that sufficed to prove guiltiness." Merchants and bankers announced that they would rather lose their entire fortunes than pour forth the life which it was not theirs to give. A general feeling pervaded the whole interest, that it would be better to peril a great wrong than to suffer an unavailing remorse. One petition against the penalty of death was presented which bore three names only; but those were an honorable proof of the prevalent feeling. The name of **NATHAN MEYER ROTHSCHILD*** was the first, "through whose hands," said Mr. SMITH, on presenting the petition, "more bills pass than through those of any twenty firms in London." The second was that of **OVEREND, GURNEY & Co.**, through whom thirty millions passed the preceding year; and the third was that of Mr. SANDERSON, ranking among the first in the same profession, and a member of the legislature.

At last the labors of the press, the public feeling, and an increased regard for human life, produced the introduction of a bill, by Sir **ROBERT PEEL**, in 1830, to discontinue the punishment of death in certain cases.

It is worthy of notice that the class which was most interested in the

* Mr. ROTHSCHILD was not celebrated for his proficiency in the art of writing. This defect, on one occasion, caused him some little annoyance. He was travelling in Scotland, and, on his return, stopped at the town of Montrose, and, wishing to replenish his exhausted exchequer, went to the bank, and requested cash for a draft of £100 on his agent in London. He was, however, much surprised at the refusal of the bank manager to honor his check, without, as he said, having the genuineness of the signature (which he was unable to read) previously accredited; and for this purpose it must be forwarded to London. To this arrangement Mr. ROTHSCHILD was compelled to submit; and as, at that time, it took six days before an answer could be received from London, he was detained until the reply came, which, of course, proving favorable, he was enabled to pursue his journey.—*Lawson's History of Banking.*

subject, which suffered principally from the crime, and whose prejudices, therefore, were likely to be strong, by the memorable petition of the country bankers against capital punishment, proclaimed that they had no faith in the severity of the law to protect them. With nine hundred signatures to the petition, signatures of men who had an interest in the question, signatures which were not rashly and inconsiderately given, there was no reason for proceeding with the penalty on the ground of protection to these classes. Another remarkable fact was, that there was no application in favor of the punishment, and the one against it told the plain tale that the banking community considered the punishment of death increased forgery instead of diminishing it.

When the bill was introduced it was found to be less merciful than was anticipated; and after a solemn and careful revision, clauses were introduced in the lower house, by which the capital penalty was abolished in all cases of importance, including notes. Sir ROBERT PEEL left his opponents to carry on the remainder of the bill, and the result was that the good cause was delayed by the house of peers rejecting it. But the question now in all men's minds was not whether capital punishment for forgery would be abandoned, but when? In 1832 it was settled, and all cases were excluded, excepting only forgeries of wills and powers of attorney. But though the clause was maintained in the bill, no one supposed that the punishment would ever be inflicted; and, in 1836, when the forgery of a power of attorney was discovered, the bank, humanely and judiciously, declared an absence of all wish to see the criminal capitally punished; and the cause of justice, humanity and sound principles prevailed.

A remarkable evidence of the inefficiency of these punishments arose from the execution of one WILLIAM WELLER, for uttering forged bank notes. "From the very room," says the "*New Annual Register*," "in which was placed the coffin with his corpse, and during its continuance in that room, some forged bank notes have been uttered by his confederates. The conclusions are as obvious as irresistible. These facts demonstrate the total inefficacy of the punishment of death for the suppression of such crimes. In all future and approaching discussions they should not be forgotten."

Such and so strong was the feeling against the punishment that, by the *Edinburgh Reviewer's* testimony, "men suffered losses to a large amount, and repeatedly, without complaining, because they knew that their complaint was the death-warrant, and might be such of a fellow-creature. Others who could give evidence kept their lips sealed, for fear of being called upon as witnesses, should it be known that they possessed any criminal information."

But it was not only with the English fabricator that the bank had to deal. Alluding to the question under consideration, Mr. NICHOLLS said, in the House of Commons: "Forgeries of the small notes had made alarming progress, and the practices of our own government, against France and America, showed the impossibility of resisting the effects of forgery. They had been encouraged by government, and even our courts of justice had said, that to depreciate the credit of an enemy by forging its paper money was a moral act." In 1820 a very extraordinary

appeal was made to the French tribunals by a man named J. CASTEL, who was a merchant in Hamburg, while the free city was in the hands of the French. He accused the general commanding there of employing him to get five thousand pounds worth of English bank notes changed, which proved to be forged, and he was compelled, in consequence, to fly from Hamburg. He also asserted that SAVARY, Duke of Rovigo, and DESNOUETTES, were the fabricators, and that they employed persons to pass them in England, one of whom was seized by the London police, and hanged.

If these things be true, and if our government practiced thus against America and France, and our courts of law called them "moral acts;" if thus a regular system of forgery was conducted upon a great scale, and justified because it had great ends to gain, it is difficult to imagine with what degree of assurance that government could be gifted which hung a man for doing in a small what they did themselves in an enlarged degree. But whether this was the truth or not, there is sufficient collateral evidence to arrive at the conclusion, that the appeal made by J. CASTEL was founded on fact. During the last wild attempts of NAPOLEON, when the armed league of the monarchies of Europe were crushing him with fatal effect, EUGENE BEAUHARNAIS, with his army, was compelled to retreat from his Italian vice-royalty. Part of that retreat was through the Austrian Tyrol. As they passed this mountainous region, forged notes of the Austrian Bank were sold by them for any sum that was offered. The small baskets of the country were filled, and sold for a few crowns, or for any thing that the peasantry would offer; and there yet reside in Tyrol men who profited by the opportunity, who, taking advantage of the disturbed state of Europe, passed with their counterfeit notes to Hungary, where they purchased large droves of cattle, and other articles valuable in their native country, to which they successfully brought the result of their deliberate frauds. The men are yet living; they are still pointed out by their contemporaries; and whatever shame may attach to them, a far deeper infamy, and a more enduring degradation, must rest upon that imperial head which contrived, abetted and sanctioned the crime.*

* King WILLIAM said, in his speech, in 1836, with truth and discrimination: "The state of the commerce and manufactures of the United Kingdom is highly satisfactory. I lament that any class of my subjects should still suffer distress, and the difficulties which continue to be felt in important branches of agriculture may deserve your inquiry, with a view of ascertaining whether there are any measures which Parliament can advantageously adopt for the alleviation of their pressure." The ruinously low prices of 1835, however, and the unbounded pauperism which was in consequence produced, overcame all these obstacles, and though a majority, both of the Cabinet and the House of Commons, adhered to their old ideas on the subject, yet they were, in a manner, constrained to yield so far as to issue a commission to inquire into the condition of the poor in Ireland.

CHAPTER XXI.

THE NEW CHARTER—ITS CONDITIONS—EXTRAORDINARY DISCOVERY—HOLIDAYS ABOLISHED—FAILURE OF THE GOVERNOR—LONDON AND WESTMINSTER BANK—SPECULATIONS IN 1836—PANIC—DEMAND FOR BULLION—ITS CAUSE.

THE charter of the Bank of England again occupied the attention of the House of Commons in 1832.* From the circumstances which had arisen out of the panic, from the general feeling that a great alteration must take place in its construction, and from the ominous remark of Lord Liverpool, that "such privileges were out of fashion," great anxiety was experienced by the friends of the corporation, and the price of the stock declined from 202 to 185. On the 22d of May the question was opened by Lord ALTHORPE, moving for a committee of secrecy to report upon the expediency of renewing the bank privileges, which, after some desultory remarks, was agreed to; and, on the 11th of August, 1832, a brief report was delivered, accompanied by some very valuable documents, and examinations of witnesses. The committee arrived at no conclusion, in consequence of the limited time allowed for their deliberations; but the report was satisfactory to the proprietors of bank stock and the public generally. The following is the conclusion: "Of the ample means of the Bank of England to meet all its engagements, and of the high credit which it has always possessed, and which it continues to deserve, no man who reads the evidence taken before this committee can for a moment doubt; for it appears that, in addition to the surplus rest in the hands of the bank itself, amounting to £2,880,000, the capital on which interest is paid to the proprietors, and for which the State is debtor to the bank, amounts to £14,553,000, making no less a sum than £17,433,000 over and above all its liabilities."

The publication of the report was believed to have produced a beneficial result. Many who had previously doubted the wisdom of the management, found their doubts removed, and were disposed to regard it with more favor than they had evinced before the inquiry. On the 31st of May a letter was placed before the proprietors, containing the proposals

* Lord ALTHORPE brought forward the government plan on the subject on the 31st of May, "to allow their circulation *gradually to diminish when the exchanges were against this country*, and the drain of bullion became great; and when the exchanges turned in our favor, and the bullion came back, to let the circulation *gradually expand in proportion*. The charter was to be renewed for twenty-one years, with power to the government at the end of ten years to break it off. *Bank of England notes were to be made a legal tender every where, except at the bank itself and branch banks*. The usury laws were to be repealed, to the effect of withdrawing all bills at less than three months from their operation. One-fourth of the debt due by the country to the bank, which amounted to £14,000,000, was to be paid off, and £120,000 a year cut off from the allowance made to that establishment for carrying on the public business, and royal charters were to be granted for the establishment of joint-stock banks in the country beyond the limits of the bank's monopoly."

of the government; in which Lord ALTHORPE stated that the only relaxation in their privileges was that which allowed joint-stock banks, more than sixty-five miles from the metropolis, to draw bills and issue notes payable in London.

The following clauses, in addition to the declaratory one hereafter to be mentioned, were the distinguishing features of the charter of 1833:

“That while the Bank of England is liable to pay gold on demand, all the notes of the corporation shall be made a legal tender* for all sums above £5, excepting at the bank itself and its branches.

“That one-fourth of the debt due from the public to the bank be repaid, and that the company be at liberty to reduce its capital stock in the same proportion.

“That the laws restricting the interest of money to £5 per cent. shall be repealed, so far as they affect bills of exchange not having three months to run before they become due.

“That the charter shall be extended for twenty-one years, from the 1st of August, 1834, with power to the existing government to suspend its privileges, on giving one year’s notice, after the expiration of ten years.

“That no banking company of more than six partners, within sixty-five miles of London, shall issue notes payable on demand.

“That all notes of the Bank of England issued out of London shall be payable at the place where they are issued.

“That a weekly account of the bullion and securities, the circulation and the deposits, shall be forwarded to the treasury, an average of which shall be published quarterly.

“That, in consideration of its exclusive privileges, the bank shall pay £120,000 per annum, to be deducted from the sum allowed for managing the national debt.”

On the same day, also, the public were made aware of the terms proposed by Lord ALTHORPE, who stated that the principle on which the bank had acted, of keeping one-third of the amount of its liabilities in bullion, and of expanding or diminishing the circulation in proportion as the bullion was increased or diminished, had reason and experience in its favor. The question of permitting one bank only to issue paper had been maturely deliberated, and the result was, that a single body was

* It is certainly true, that in 1814, 1815, 1816, and previously, the notes of the Bank of England, and of the country banks, *were not payable in gold at the pleasure of the holder*. But the circumstance of their being now so payable, does not, and cannot possibly prevent those destructive oscillations in the amount of country paper, though its tendency is to lessen the extent to which they can be carried. The obligation on the banks to pay their notes in gold prevents their value, so long as they continue to circulate, from ever varying materially from the value of gold in the home market, or from being depreciated as compared with the standard. But though one part of our currency cannot, under our present system, become redundant, as compared with the other, the whole currency, gold as well as paper, may become redundant, and will consequently sink in value, as compared with the currency of other countries, either from too great issues being made by the Bank of England, or by the country banks. And it is next to impossible that the contraction of paper, to which such an over-issue must ultimately lead, can be effected without occasioning a most destructive revulsion.—*Edinburgh Review*, Feb., 1826.

considered better than rival banks, provided a sufficient check could be obtained. The check proposed was a weekly return to the treasury of the circulation and deposits, with the bullion and securities of the corporation, the average to be published quarterly. Hitherto the bank had only been able to repress the circulation by reducing the discounts; and this operated disadvantageously upon the commercial interests. By a change in the usury laws, all bills with more than three months to run would be exempted from their operation. For these privileges the bank were to allow £120,000 a year.

Many opinions were expressed during the debates on this important bill. Mr. POULETT SCROPE attributed all the fluctuations in our system to the monopoly of the bank, and expressed great surprise that government should wish to bend down the country to those task-masters, whose stripes were yet fresh on their shoulders. He dreaded this increase of power to the corporation, for it would establish a more complete tyranny than that of NAPOLEON BONAPARTE. Sir ROBERT PEEL thought the contract an improvident one for the public, and this was clearly indicated by the fact that bank stock had risen from 193 to 208. He objected strongly to making bank notes a legal tender.

Mr. FRYER believed this bill would render the gold circulation of the country unproductive. If they were to return the gold of Potosi to the bowels of the earth, they could not render it less serviceable than it would be by this bill. A man who had now £30,000 in gold could scarcely get any interest for it. The bank stepped in with its cheap rags and prevented him from using it to advantage. This was a ruinous sort of competition; it was like that of the Rob Roy and Quicksilver Brighton coaches. The Rob Roy offered to carry passengers cheaply; but the Quicksilver offered to take them for nothing, and find them a bottle of wine on the road. The Rob Roy was beaten out of the field, and the Quicksilver was run away with and smashed; and that would be the result with the bank. Mr. ATTWOOD remarked, that the old banks, both in London and the country, had one fault—a sordid and servile devotion to men in power—that was bad enough; but the joint-stock banks, which it was proposed to establish, would be seven-fold more the tools of the government of the day, because they would all be under the Bank of England, and that establishment was under the immediate control of government; so that the government would instruct the Bank of England; the bank would instruct the branch banks; the branch banks would instruct the joint-stock banks; the joint-stock banks would instruct every one of their partners; the partners would instruct their debtors, and the people of England would rue the day in which such a system was commenced. He was more than ever convinced that government should be the sole issuer of notes.*

* It was maintained by Lord ALTHORPE and Mr. BARING: "The objection to the declaring bank notes a legal tender arises from a misconception of the object for which it is intended. The object is not so much to meet the demands on country bankers for their notes, as those for their deposits. The amount of notes issued by country bankers in general bears but a very small proportion to their engagements, on account of deposits, for meeting which they are obliged, in times of pressure, to apply to the Bank of England for bullion. It is to guard against that pressure on

Some resolutions, with regard to joint-stock banks, which Lord ALTHORPE proposed to introduce into the bill, were abandoned in consequence of the opposition of the country bankers; and one of the most remarkable evidences occurred, during the progress of this charter, of the implicit faith of men in that which every one declares to be true, from the strange discovery that, as the law stood, there was nothing to prevent joint-stock banks of deposit from being established in London, nor had there been, at any time, an enactment to that effect. A clause was, therefore, introduced, declaring such to be and to have been the law, thus saving the government a tedious opposition on a point already within their power. The opinion of the legal authorities was, that banks with more than six partners might exist within the magic circle, but not as banks of issue.

The government were not in this matter so straightforward as the government of a great country should have been. The basis of the contract was distinctly understood to be, that all the exclusive privileges of the bank should remain. Among them was that which made the existence of joint-stock banks in the metropolis a violation of the charter. This was the full conviction of all who considered the subject. That it was the firm persuasion of the directors of the bank, there can be no doubt. That the public thought so is equally unquestionable, or banks of deposit, with more than six partners, would have sprung up throughout the city. When, therefore, it was proposed by the ministry to allow these banks in London and its immediate vicinity, the proprietary came to a spirited resolution, "That the court feel itself bound, in justice to its own character, to protest against the treatment it has experienced at the hands of the chancellor of the exchequer, who has, in the opinion of this court, most improperly and unjustly departed from the terms of his own proposition; and after having engaged to continue certain privileges to the bank, on consideration of stipulated pecuniary concessions, has since determined to withhold from the bank some of the most important of those privileges, without making a corresponding abatement in the pecuniary concessions. That, although this course of procedure and the violation of the contract fully justified the bank in rejecting the arrangement *in toto*, this court, considering the extensive injury to the public interest that might be the result, and considering that a new range of prices had been made, in the conviction that the question was settled, is unwilling to assert its undoubted rights at such hazard, and authorizes the court of directors to submit to the arrangement."

The solicitor-general maintained, that the establishment of such banks was not an encroachment on the privileges of the Bank of England. He had looked into the various acts, and they clearly proved that monopoly was confined to the issue of paper money within sixty-five miles of the metropolis. That monopoly should be preserved. He was prepared to prove that the act referred to banks of issue only.

the bank that it has been deemed advisable to make the bank note a legal tender; for in a case of commercial panic, as was the case in 1825, the country bankers sent up to London, not only for sovereigns to pay their notes, but likewise for gold, to meet their other engagements.

The reply of Mr. Alderman THOMPSON was what a direct view of the question must necessarily produce. "He had a right to contend that the interpretation he had put upon the law was the right one, because it had never been questioned in a court of justice, and had been universally acted upon by mercantile men. Lord ALTHORPE had stated, that he had no intention of defrauding the bank of any privileges which it at present enjoyed. The introduction, however, of this clause would have that effect." The governor addressed a letter to the chancellor of the exchequer, stating that the stipulation proposed did not, either literally or substantially, carry out the agreement of the bank with the government; that it took away their exclusive privileges; but that, to avoid the inconvenience of further delay, they would submit to it. A clause to the following effect was inserted: "That any body, consisting of more than six persons, may carry on the business of banking in London, or within sixty-five miles of it, provided such body do not borrow, owe or take up, in England, any sum or sums of money on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof." Under this declaration, any bank of deposit only might be established.

There can be no question that government availed itself of an unexpected discovery to the injury of the company. It is lamentable, but true, that a collective body will sometimes condescend to acts which each member would shrink from in his individual capacity. Lord ALTHORPE, a most upright and honorable man, admitted that he had, "in an off-hand way," said, "that he did not intend to propose the establishment of joint-stock banks in London, because he thought such was the law." Such was the law fully believed to be by all mercantile men. The privileges of the bank had been supported by that belief; they were in actual existence, and had been long enjoyed by the corporation. They may be argued away by special pleading; but no special pleading can prevent the fact from being most distinct, that for more than a century the Bank of England, by virtue of one act of Parliament, possessed certain prerogatives, which were the foundation of the new arrangement with government, and contemplated in the amount of payment; and that the latter, finding, by a novel construction of the deed, they might be abolished, did, without hesitation, that which they had no moral claim to do, by putting in force this new interpretation of an old act of Parliament. No wonder such conduct was impeached, or that the court of proprietors, justly indignant at that which in a private person would have been deemed a breach of faith, entered the important protest just recorded.

That the writer is justified in the view he has taken is confirmed by the following extract from a pamphlet by Mr. PALMER, who says: "A declaratory clause was inserted in the bank charter act, authorizing the establishment of those bodies in the metropolis. It is conceived that the bank had the more reason to complain of the minister's proceedings upon that occasion, it having been distinctly understood, during the negotiation, that the law affecting the formation of banks within sixty miles of London should remain untouched; and, upon the faith of that understanding, Earl SPENCER undertook to bring the bill into the House of Commons for the renewal of the charter of the bank."

This charter was important from many causes. The weekly account to be transmitted to the lords of the treasury was a wise provision, as it was no inconsiderable check upon the transactions of the bank, while the publication of the averages every quarter could produce no further effect than to present that information to the monetary world which had hitherto been wanting. But a yet greater object was achieved in the alteration of the usury laws, as the first relaxation of a principle which had weighed heavily upon the claims of commerce. The payment of one-fourth of the debt due to the bank was in consideration of the loss sustained by the latter of one per cent. on the amount lent to government.

On the 31st July, 1834, a special court of proprietors was held, to agree to the terms proposed of paying off one-fourth of the bank capital. The following resolutions were passed :

“That a proposal from the chancellor of the exchequer to transfer to the bank the sum of £4,080,000 three per cent. reduced annuities, in liquidation of a fourth part of the permanent debt due to the bank, which will become due on the 1st of August next, be recommended to the proprietors for adoption ; provided the transfer be made so soon as the act of Parliament shall have passed authorizing the same, and the interest on the returned capital be paid up to the day of the said transfer.

“That the court also concur in opinion with the court of directors, that it will be of advantage to the future management of the affairs of the bank to retain the proportion of debt when repaid by government ; this court do, therefore, in pursuance of the authority for that purpose, contained in the act of 3d and 4th WILLIAM IV., cap. 98, determine not to divide or appropriate the sum of £3,638,250, or any part thereof, amongst the several persons, bodies politic or corporate, who may be proprietors of the capital stock of the governor and company of the Bank of England on the 5th of October next.”

By an act passed to provide for the repayment of the sum, it was arranged that £4,080,000 reduced three per cents should be placed to the credit of the Bank of England, and form part of the public debt ; the bank to receive interest from the 1st of August, 1834, until the £4,080,000 should be written in their books, and continue a corporation till redeemed.

In the same year the bank allowed an interest of two per cent. on the balances of the East India Company, as an inducement to the latter to allow them to remain in their possession. In this year, also, the new four per cents were reduced ; and, by the proposed terms, the holders might either receive £100 stock, at three and a half per cent., not redeemable until 1840, or £70, at £5 per cent., not redeemable until 1873. The principal number chose the former, and the remainder form the holders of the new five per cents, amounting only to £430,000.

In 1834 the holidays of the Bank of England, which had been previously reduced to a considerable extent, were entirely abolished. The question is one of great interest. That an occasional relaxation of the frame is desirable to the toil-worn and the weary is unquestionable, and when it does not interfere with a public duty, is justice, and not generosity. Men were not born to labor in pent-up cities, breathing an impure atmosphere from morning to evening, to the exclusion of all that is

natural and healthful. Our forefathers were wiser than their descendants. They knew that to grant their servants a recreation was to benefit themselves. That to mingle with them in their sports, and to encourage them in invigorating pastimes, was politic as well as pleasant; and this great fact will once more be comprehended, because it is a question of self-interest. It will yet be understood that a day passed in the green fields, in the fresh air, or on the gay river, produces a desire no less than a capacity to serve; and that to make a man believe that his interests are cared for, will induce him to regard the interests of his employer in a tenfold degree. These things are not written of the Bank of England. The writer rejoices in bearing testimony to their great and honorable liberality; and it is a curious incident in the history of the holidays, that the very persons by whose solicitation they are stated to have been abolished, made, at a subsequent period, an application to have them restored.

In 1834 a great sensation was created throughout England by a circumstance which was only important from its connection with the corporation. Mr. RICHARD MEE RAIKES, governor of the bank, a gentleman universally respected, was compelled, from various unforeseen events, to announce a suspension of payments, which was followed by the appearance of his name in the list of bankrupts. The rumor spread among the less-informed class—among the dwellers in the suburbs, and the inhabitants of the country, that the governor of the bank had failed. The annuitants and small class of fund-holders, who look upon the head of the establishment as an integral part of the corporation, regarded their fortunes gone, and their property forfeited. The autumn dividends were just due; and it was remarkable to witness the earnestness with which they were applied for. The offices were crowded with applicants; and, if the slightest delay occurred, though occasioned by their own ignorance, they regarded it as an invidious delay of their rights, and a confirmation of their fears. Time, however, in this as in other things, brought “healing on its wings,” and confidence to the breasts of the public creditors.

The commencement of banks in the metropolis with more than six partners demands a brief remark. “The London and Westminster Bank” and “London Joint-Stock Bank” were the first establishments of the kind, and, from a combination of causes, have commanded complete success. Mr. GILBART has, in his history and principles of banking, discussed, in a very able manner, the comparative merits of joint-stock banks and private banking-houses; and, though he may be regarded as a partial, if not a prejudiced writer, there is an equitable statement of truths in his essay, which demand respect, at whatever opinion the reader may arrive. The formation of the bank to which this gentleman is attached is memorable from the dislike evinced to it by the private bankers refusing to allow a clerk from the new establishment to attend at the clearing-house. The directors of the “London and Westminster” also considered themselves aggrieved, because the Bank of England declined to allow them a drawing account, and alluded to both these circumstances in their yearly report. Such occurrences are incidental to

all new concerns, and the rights of the bank stock proprietors are the bounden charge of those whom they choose to manage their affairs.

In 1834 the new bank applied to the House of Commons for the privilege of suing and being sued, by its chairman. Considerable opposition was shown; and Lord ALTHORPE, who thought that Parliament would not be justified in granting the application, moved "that the bill be read that day six months." It was stated, however, that this bank had been established on the faith of the declaratory clause introduced by Lord ALTHORPE, and that, out of seventy private banks, twenty-two had failed, in twelve years, to the amount of seven millions, of which four millions had never been paid. The bill went through the lower, was introduced to the upper house, and there, after the expression of Earl GREY that it would be inconsistent with the exclusive privileges of the bank, it was resolved that certain questions should be framed for the consideration of the judges. These learned gentlemen declined answering them, and, as the session was near its close, the bill was withdrawn.

In 1834 symptoms of a dormant spirit of speculation might have been discovered in various propositions for foreign loans, joint-stock banks, and one, the London and Southampton Railway. The year 1835 witnessed a continuance of the same spirit; and in May, of that year, the speculation in Spanish funds, which had been extensively carried on, suddenly exploded. The bullion began to flow out of the bank, and by the 2d of June it was reduced to £6,150,000. In the following August a notice was issued by the bank, that advances would be made on exchequer bills, India bonds, stock, and other approved securities, at $3\frac{1}{2}$ per cent.; the previous rate for similar advances being 4 per cent. In August, 1835, the proposition for the West India loan was made; and, in the opinion of those opposed to the bank, the above reduction of interest added a stimulus to the excitement then prevalent. The bullion in the coffers of the bank, which, on the average of the three months before October, 1833, had been £10,900,000, had fallen by the June average of 1835 to £6,150,000. This reduction was considered by Mr. PALMER, in his "Causes and consequences of the pressure upon the money market," to arise from the loans to Portugal and Spain. "These loans were going forward from July, 1833, until towards the end of 1834, when the profits realized upon the daily extending engagements in the foreign stock market engendered a further spirit of speculation in almost every kind of previously neglected South American, Spanish and Portuguese bonds, causing an enormous advance in all, and in some nearly 100 per cent. In short, until the spring of 1835, hardly a packet arrived from the continent which did not come loaded with every sort of foreign securities for realization upon our foreign stock market." But other causes were in operation, one of which is to be found in the measures taken by President JACKSON to establish a metallic currency in the United States, which partially assisted to drain the vaults of the Bank of England. The demand ceased in May, 1835; and the directors increased their circulation to the extent of five millions, from August to the close of the year.

The late Lord SYDENHAM (then Mr. POULETT THOMPSON) caused a

register of the various companies to be kept, the number of which amounted to between two and three hundred in 1836, with an aggregate capital of about two millions. Joint-stock banks were a favorite investment, and the shares of nearly all these companies bore a premium. Railways, also, from the success of the Liverpool and Manchester, were freely entered into. Mr. TOOME, in his "History of Prices," says, "new lines were proposed to intersect almost every part of the kingdom, and there was actually a swarm of railway projects starting up in every direction. The rage for undertakings of this kind was at its height in the spring of 1836, and numerous other projects for public companies were at the same time brought into notice. The most considerable of these were for mining purposes. And several of the projects proceeded on substantial grounds with fair prospects of success, along with many others that were absolutely worthless, and served only for the individual benefit of the projectors. But the good, bad and indifferent, contributed to a general activity of the share markets."

In July, 1836,* the rate of interest was raised by the bank to four and a half, and in August to five per cent. Those opposed to the establishment again blamed this policy, as too sudden a contraction of the currency. It was about this period, also, that the bank reduced their loans by refusing to discount all bills drawn or endorsed by joint-stock banks of issue, together with an immense amount of bills drawn from America, on and accepted by several first-rate establishments in this country, although the acceptors were considered to be of the most unquestionable solidity. The Chamber of Commerce at Manchester estimated the loss on cotton, wool, silk, linen and hardware, at forty millions, in addition to the moral and social evils which follow the deprivation of employment to the working classes.

The customary result of the wild love of speculation of 1836, to which allusion has been made, was witnessed in panic, prostrate credit, languid commercial operations, and a drain upon the Bank of England. The joint-stock banks felt the pressure. The Agricultural and Commercial Bank of Ireland suspended payments; and a fearful panic, from the stoppage of the Northern and Central Bank of Manchester, with numerous branches, was only prevented by the assistance of the Bank of England. During this period the bullion had been again diminishing, and on the 17th of November it had fallen to £4,933,000, and a fortnight after the determination had been taken to support the Northern and Central Bank, an account of which is given at a later period, it fell to £4,545,000. The

* The prices of bank stock from 1830 to 1836 were not wide apart, the lowest being 185, and the highest 225, viz.:

	<i>Lowest.</i>		<i>Highest.</i>		<i>Dividends.</i>		<i>Consols.</i>
1830.....	194	..	203	..	8 per cent.	..	77½ @ 94½
1831.....	189	..	204	..	8	"	74½ @ 84½
1832.....	185	..	208	..	8	"	81½ @ 85½
1833.....	190	..	213	..	8	"	84½ @ 91½
1834.....	211	..	225	..	8	"	87½ @ 93
1835.....	208	..	225	..	8	"	89½ @ 92½
1836.....	199	..	219	..	8	"	86½ @ 92½

great importance of the corporation was experienced in its resolution to support* commercial credit; but the panic† was, as usual, productive of many opinions as to the cause.

A pamphlet, published by Mr. HORSLEY PALMER, attracted great attention; answers poured from the press in attempts to disprove one of the positions assumed by him, that it was owing to the mismanagement and over-issue of the joint-stock banks. Mr. DAVID SALOMONS replied, and, among other causes, attributed the derangement of the currency to the "transaction between government, the public and the Bank of England, connected with the West India loan." "The joint-stock banks," says Mr. SALOMONS, "do not hesitate to repel the charge, and to accuse the Bank of England of having caused the mischief which they attempt to lay to the account of the joint-stock banks." Mr. SAMUEL JONES LLOYD, Mr. SAMSON RICARDO, with others, entered the lists, either in defence of the joint-stock banks, or in attack upon the Bank of England. And the question closed, doubtless, with the conviction of each, that his own theory was demonstrated.

* At this period England was aware and acknowledged her dependence upon the United States as a market. In 1842, it was contended by Lord JOHN RUSSELL and Lord PALMERSTON: "We are not, we cannot be independent of foreign nations, any more than they can of us. At least five millions of our people are dependent on the supplies of cotton from America, of foreign wool, or foreign silk. Independence of other countries, therefore, is a chimera which it is in vain for a great commercial nation to pursue; and even were it reached, it would be attended with no visible benefit. It is impossible that the time should ever arise when you might not find some part of the world from which you might derive your supplies. The true independence of a great commercial nation is to be found, not in raising all the produce it requires within its own bounds, but in attaining such a pre-eminence in commerce that the time can never arise when other nations will not be compelled, for their own sakes, to minister to its wants. There is nothing of such importance to this country as to extend its commercial relations with the United States of America. Were a free commercial intercourse established with them, there is no saying how long you might continue to furnish them with manufactured goods, or how extensive and lucrative might be the commerce you might carry on with them. However rising may be the manufactures of the United States, there is not enough of that species of industry, and probably there will not be for a very long time, to furnish with clothes and other articles of rude comfort this great population."—ALISON'S *Europe*.

† Early in 1837 the revulsion in the money markets of the United States occurred, preceded and caused by a rapid enlargement of the circulation of the State banks. This created in London a distrust of American bankers and commission merchants doing business in London. By the withdrawal of customary facilities to these, they failed. From the published statements of the concerns of several of the suspended London houses, it appears that there was due and coming due to them from the United States, about 1st June, as follows, viz.:

To Messrs. THOMAS WILSON & Co.,	£ 1,350,000
To Messrs. TIMOTHY WIGGIN & Co.,	1,450,000
To Messrs. GEORGE WILDES & Co.,	1,000,000
	£ 3,800,000
And due to other London houses, and to Liverpool, Manchester, &c.,	5,000,000
And to France,	1,500,000
	£ 10,300,000

CHAPTER XXII.

LOSS OF THE NORTHERN AND CENTRAL BANK—APPLICATION FOR ASSISTANCE, NOVEMBER, 1836—STIPULATIONS DEMANDED—DIRECTORS AT MANCHESTER—PRIVATE LEDGER—APPLICATION OF MR. FRESHFIELD—ITS SUCCESS—CURIOUS DISCOVERIES—FAILURE OF ESDAILE AND CO., BANKERS—ALARM AND ASSISTANCE OF THE BANKERS—DIFFICULTIES OF AMERICAN HOUSES—SUSPENSION—FOREIGN CREDIT—AID BY THE BANK OF FRANCE TO THE BANK OF ENGLAND—DRAIN OF GOLD—RESTORATION OF CONFIDENCE—NEW MODE OF MANIFOLDING BANK NOTES—SUIT AGAINST THE LONDON AND WESTMINSTER BANK, APRIL, 1837.

THE committee appointed on joint-stock banks of issue in 1836 produced some curious disclosures.* The Northern and Central Bank of Manchester occupied a great part of its time, and the following are its most important results, in connection with a transaction which occasioned considerable comment. In 1834 this bank was established, with a paid-up capital of £710,000 and 1,200 shareholders, the united property of whom was considered equal to ten millions. Not one of the directors had previously been engaged in banking, and, unfortunately, they were prosperous to a great extent, at the commencement of their business, as it induced them to extend their branches in thirty-nine towns, without an adequate capital, and probably gave them an idea of the ease with which a banking connection might be formed, while it deprived them of the caution necessary to conduct it to a successful issue. The rule which the Bank of England had constituted, not to discount any

*The effects of the extraordinary flood of prosperity, the result of the important change made upon the currency laws in 1834, by declaring Bank of England notes a legal tender everywhere but at the Bank of England, already noticed, were very important, and are still felt in various branches of industry and social economy—money being abundant, and the terrors of the bankers of a run upon them for gold allayed by this great change. Advances were liberally made to carry on mercantile undertakings, and both railway and banking speculations exhibited a rapid increase. In the three years ending with 1835 thirty-four joint-stock banks were established; and in 1836 no less than *forty-four* new ones were set up—making in all two hundred joint-stock banks, with six hundred and seventy branches, all founded since the joint-stock system had been established in 1826. The issues of the country banks increased in a similar proportion. In the year 1836 they rose £1,500,000. Railway speculations underwent a similar increase. The number of bills for establishing new lines augmented from eleven in 1833 to thirty-five in 1836 and forty-two in 1837, and the capital expended in them swelled from £2,312,000 in 1834 to £22,874,000 in 1836. These four seasons in succession, at the same time, lowered the price of provisions to an unprecedented degree—from 55s. 9d. in 1832, wheat fell to 35s. 9d. in 1835. In a word, the perilous tendency of a circulation based entirely on the retention of gold, was, during these years, unequivocally evinced in a way directly the reverse of what had hitherto been experienced, but not less fatal; for exchange during those years being favorable, and the export of gold small, paper was issued in abundance, and speculation went on wildly and extravagantly.—ALISON'S *Europe*.

bill endorsed by a joint-stock bank of issue, was, however, felt severely by the managers of the Northern and Central, who found their paper refused by the discount houses of London, not because it was doubtful, but because it was impossible to re-discount it; as paper possessing the endorsements alluded to, although it had the signatures of the first bankers in the city, was sure to be rejected.

Mr. GILBART stated it as his belief, that "this arose from the hostility of the Bank of England to joint-stock banks of issue, and they regarded them as rivals." But the idea of rivalry between the great bank of the empire and a provincial joint-stock bank is scarcely probable. It is more likely to have had its rise in the hope of restraining these banks from that over-trading, in which, at a future period, many were found to have indulged.

The mode of allotting shares was a remarkable feature in the history of these establishments. By some pertinent questions of Sir ROBERT PEEL, it was ascertained that shares in some of these banks were awarded to others at par, not for the establishment, but for the directors; that, "if shares were allotted to A. B. C., and A. B. C. could not take them, the directors made the profit," and that "part of the profits of the Northern and Central Bank were made by allotting shares at a premium." "It was usual," said one of the witnesses, "if you take an account to any bank, to have shares granted you if you apply for them." Thus the Northern and Central Bank received shares from the London and Westminster, the Yorkshire District Bank, and the Royal Bank of Ireland. These shares were not only divided among the directors for their private advantage, but the deposits were paid out of the funds of the Northern and Central Bank, to the amount of more than £50,000; and as this narrative proceeds, it will be found that the most unbusiness-like transactions were carried on. It must, however, be remembered, in extenuation, that banking is a science, and that the directors of the Northern and Central Bank were utterly ignorant of its principles.

The pressure experienced throughout England in 1836, and the general difficulty in obtaining discounts, was first felt by the managers in August. "The cause of our distress," said Mr. MOUNT, the chairman, "was, that the Bank of England had set their face against discounting our paper, or the paper of any joint-stock bank of issue." The difficulties, however, had their origin in overdrawn accounts. Up to June, 1836,*

* The leading events bearing upon commercial and financial affairs for the five previous years (1831-1835) were as follows:

1831.—Parliamentary reform bill introduced in 1831 by Lord JOHN RUSSELL, rejected by the House of Lords, 8th October. The Bristol riots among the reformers occasioned by the visit of the recorder, October 29th; four persons executed in 1832 for participation in the riots. Free trade convention at Philadelphia, October 1. STEPHEN GIRARD died, 26th December, aged 84. Insurrection in Jamaica, 28th December. 1832.—Third reading of the reform bill carried in House of Commons, February 22, by a majority of 109. France agrees to pay 25,000,000 francs to American claimants. Attack by the American frigate *Potomac* on the Malay pirates. Veto of United States Bank bill by President JACKSON, 10th July. New tariff act passed by Congress, July. Ohio State Canal finished. Albany and Schenectady Rail-Road, Columbia Rail-Road, Pennsylvania Rail-Road, Newcastle and Frenchtown Rail-Road, completed. 1833.—English duty on advertisements reduced from 3s. 6d. to 1s. 6d.,

no distress had been experienced, and the managers believed themselves so strong in a paid-up capital of more than half a million, that nothing could injure them. Great losses were, however, sustained in the branches, and these, with the scarcity of money already alluded to, contributed to add to their troubles. Mr. CASSELS, agent in London, wrote to the head bank that money was very scarce, and advised the directors to obtain discounts in the country, and send up all the cash they could gather, as a large amount would be required. On this urgent application for assistance £108,000 were procured, and intrusted to Mr. EVANS, manager at Manchester, who arrived in town on the 28th of November, 1836. In St. Martin's-le-Grand he called a conveyance, which took him to his hotel. "My mind was very much engaged upon the state of things generally," said this gentleman, in his examination before the committee of the House of Commons, "and the matters I should have to discuss; and at the moment of leaving the cab, I lost sight of the bag which contained the money, and left it behind me." This alarming discovery was almost immediately made, and in no very enviable state of mind he ran with all possible speed to overtake the conveyance. The attempt was vain; and Mr. EVANS instantly sought the authorities at the Mansion House, communicated with FORRESTER, and, assisted by Mr. BUSH, solicitor to the bankers, took the best measures which they could devise together to recover the property.

The loss was of the utmost importance. It was felt that the rumor of such an occurrence would affect the Northern and Central Bank very seriously. Mr. EVANS, therefore, accompanied by Mr. BRAIDLEY, determined to seek the assistance of the Bank of England, and at five o'clock on the same day they procured an interview with the governor. Mr. BRAIDLEY remarked, before the committee, "the loss of the parcel having become known, it occurred to him that, if published in the newspapers, a run might be created on the branches of the country, and that it might

and for Ireland from 2s. 6d. to 1s. Ice first exported to the East Indies from the United States, 18th May. Opening of the China trade to the English. East India Company charter renewed; ceased to be a commercial body. Bank of England charter renewed. Usury restrictions removed in England from all commercial paper having less than three months to mature. Mr. CLAY's tariff bill passed by Congress. Removal of the deposits from the United States Bank, September. 1834.—The Statistical Society, London, formed. Act against British lotteries passed July 25; that at Glasgow this year to be the last. Bank of England notes made a legal tender for the first time, on all issues above £5, August 1st. English stamp duties on almanacs abolished, August 13. Sir ROBERT PEEL, premier, December 10th. The Zollverein, a commercial league, became operative. The Chinese suspend intercourse with the English at Canton. The first bank in Indiana chartered. London and Westminster Bank commenced business, 10th March. Resolution of the United States Senate condemning President JACKSON for removal of deposits, March. Nomination of ROGER B. TANEY, as Secretary of the Treasury, rejected by a vote of 28 to 18. Abolition of slavery in British West Indies, August 1st. Baltimore and Ohio Rail-Road opened for travel to Harper's Ferry, 1st December. Bank of Maryland failed, 24th March, 1835.—ALEX. BARING created Lord Ashburton, April 10th. Duty on tea reduced to 2s. 1d. per lb. French indemnity bill passed, 18th April. Baltimore and Washington Rail-Road opened for travel, 23d August. Bank of Maryland riots in Baltimore, 8th August. Loss of \$20,000,000 by fire in New-York, 16th December. Boston and Providence Rail-Road, Boston and Worcester Rail-Road, completed.

extend even to the injury of the Bank of England." When it was said to Mr. EVANS, "then the committee are to understand that the loss of the parcel was not the cause of your going to the Bank of England?" he replied unhesitatingly, "certainly not."

At this meeting, Messrs. BRAIDLEY and EVANS requested the bank to advance £100 to £200,000, on bills, promissory notes and other securities, and, as an inducement, offered to close two of their largest branches. During this interview no conclusion was arrived at, although the governor intimated his opinion that a larger amount of cash would be necessary to render them any essential service. By eight o'clock the same evening the parcel was recovered; and if the loss had been the sole reason of the application, it seems reasonable to suppose that the negotiation would have ceased.

On the following morning, however, it was renewed by Mr. BRAIDLEY, on the grounds that the Northern and Central Bank could not meet its engagements without the assistance of the bank. The first thing they were informed was, that the bank would make no advances, unless it were an absolute necessity, and that, as the help of the bank must become known, it would be advisable for them to go on without it, or proceed elsewhere. The applicants immediately withdrew to consult, and on their return declared it was a case of urgent necessity, and the following statement of the liabilities of the Northern and Central Bank was handed in :

Deposits,.....	£ 260,000
Circulation,.....	300,000
	£ 560,000
Cash in hand,.....	180,000
Excess of liabilities,.....	£ 380,000

The assets consisted in bills, notes and overdrawn accounts. £300,000 of marketable paper could be immediately given; and the overdrawn accounts were stated to amount to £900,000. On this statement the bank agreed to advance £500,000. £100,000 immediately, and £400,000 at a future period, upon the condition that all the branches, sub-branches and agencies should be closed, excepting only Liverpool and London. The bank also insisted that the London agents should have no repayment made to them until the debt of the Bank of England should be liquidated. Mr. EVANS considered his application to the Bank of England as something similar to going to a broker for it, without being expected to give any statement of the affairs of the bank. "We were not," he said, somewhat energetically, "called upon to pay off our deposits; we were not called upon to pay our circulation; they were both as high as they ever were, and the credit of the bank was very high throughout the country." The governor, however, took a very opposite view, and pointed out the decrease in their deposits to £260,000 from the large sum of £900,000, at which they had previously stood. It is both curious and instructive to compare the earnestness with which they thus applied for assistance, and the greatness of its necessity, with the remarks in which they indulged before a committee of the House of Commons, when their purpose was gained and the danger passed. Thus, Mr. BRAIDLEY calmly asserted

that he believed it was only the anxiety of the Bank of England for their own credit which induced them to grant the help, as, "if the information of the lost parcel got into the papers, and there should be a run on forty banks in different parts of the country, the consequences would be so serious that the evil would extend eventually to the Bank of England," and a national calamity occasioned, which he was patriotically desirous to avert, even at some sacrifice. Mr. MOULT also "knew no other reason than that it would save a run upon themselves, as the bank had no love for them." It was added, "the assistance given by the bank was certain to injure us. If it had been refused, the directors were to proceed home as rapidly as possible to close the bank." The assertion "that the Northern and Central Bank was in a good healthy state," was scarcely compatible with "proceeding home as rapidly as possible to close the bank." After an important discussion, which lasted from ten in the morning until six in the evening, the following letter was signed, and arrangements made for the receipt of the money :

London, 29th of November, 1836.

Sir,—In consequence of the urgent necessities of the Northern and Central Bank, and under the severe pressure they now experience, we beg, on behalf of that establishment, to apply to the governor and company of the Bank of England for an advance to sustain the current engagements of the Northern and Central Bank. We are desirous of receiving immediately the loan of £100,000 upon the discount of the paper now submitted; and we request the aid of the bank for a further sum, not exceeding £400,000 beyond the above £100,000, to be advanced to us as may be found necessary.

We are, Sir,

Your very obedient servants,

BENJAMIN BRAIDLEY, *Director.*

THOMAS EVANS, *Manager.*

To the governor of the Bank of England.

One of the stipulations of the Bank of England had been for a full account of the affairs of the applicants; and by the 12th of December a specification was delivered which materially differed from the first statement, the deposits being £860,000 instead of £260,000. The attendance of some of the managers was instantly desired at the Bank of England, and the discrepancy was attempted to be explained; but an examination of the books at a later period "utterly destroyed the excuse." It also appeared, that after the advance of £600,000, a very large amount would be required to bring the business to a successful issue. The affair assumed so serious a complexion, that the governor informed the representatives of the Northern and Central Bank, that further relief could only be granted on condition of their books being instantly closed, as the bank would not continue assistance while they made fresh engagements, and that in consideration of this, and of the consequences likely to occur to the whole country if they stopped payment, they should receive the requisite aid.

In both these arrangements the bank had stipulated that the London agents of the bank, for which assistance was required, should postpone

their claims until those of the Bank of England were fully satisfied, and a letter to this effect was required before carrying out the agreement. To this the directors of the London and Westminster Bank demurred very decidedly, and it is said that the arrangement nearly fell to the ground. The interests of this bank, however, were involved to a considerable extent; and it is probable that their refusal was rather an evidence of disapprobation than of positive opposition. However this may be, they found it advisable to consent to the terms proposed. The directors of the Northern and Central Bank held a meeting, at which, after entering into a review of the transaction, and declaring "that the Bank of England had more than fulfilled their part of the agreement," they were compelled, however unwillingly, to consent to close their business.

The affair was so important that two of the bank directors, Mr. DOBREE and Mr. PRESCOTT, accompanied by Mr. J. W. FRESHFIELD, Jun., solicitor to the bank, immediately proceeded to Manchester, to take possession of the securities, and examine the affairs of the company. The investigation was most satisfactory. By an account rendered on the 17th of December, there appeared securities to the amount of £373,136, while, by the books, the almost incredible discovery was made, that of these so-called securities £104,740 consisted of dishonored, or, as they were delicately termed, "overdue" bills, and that very many were nearly worthless. Their advances had been on the most profuse scale. The directors owed the enormous sum of £290,000, while, with a liberality not usually awarded to these functionaries, the clerks were in debt nearly £14,000. The proprietors formed a large proportion of debtors; and of fifty-two principal ones at Manchester, thirty-five were shareholders; and of twenty-nine at Liverpool, twenty-one proved to be the proportion interested. These things would have been startling to any one; but to the directors of the Bank of England, accustomed to a precision little less than marvellous, they must have appeared most extraordinary. But this was not all. It was accidentally discovered that secret accounts were kept; and on application to examine them, some difficulty occurred. The private ledger was not forthcoming; and a letter, of which the following is an extract, was written by Mr. FRESHFIELD, demanding, as an unquestionable right, the possession of so important a document. It will also place, in a clear and forcible light, some more transactions of the managers of the Northern and Central Bank before the reader: "In the course of the inquiries undertaken by Mr. DOBREE and Mr. PRESCOTT into the assets of the Northern and Central Bank, it appeared that large debts were due to the company by the directors; and on prosecuting this, it was found that, partly in their own names and partly in the names of connections or friends, put forward avowedly to represent them, there were debts owing by directors to the company exceeding the enormous sum of £200,000. The principal security for these advances consisted of shares in the Northern and Central Bank; and Mr. DOBREE and Mr. PRESCOTT, therefore, felt it their duty to ascertain the existence of these shares; first, as a material part of the assets of the bank, and, secondly, as the fact represented to them, that the directors had agreed to hold their shares, tended to show their own confidence in the undertaking, and therefore to afford some excuse to the directors, in

intention, at least, in the course they had pursued. On opening this inquiry, however, Mr. DOBREE and Mr. PRESCOTT discovered that, while some of the directors were large shareholders, others had sold the greater portion of their shares, and that others had been buying and selling upon a scale which appeared too nearly to approach jobbing in the shares of the company. The worst feature of the case was, that while the directors had bought in their own names, and added by the credit of their station to the value of shares in the market, sales had been made in the names of third parties, and shares had been transferred to purchasers in the names of persons who were for that purpose merely fictitious, not having the shares in their names; and these shares, purporting to be transferred by strangers, were written from the accounts of directors, thus falsifying the transfer-book, falsifying the titles of purchasers and deceiving the public. In following this inquiry it appeared that 1,120 shares, placed in the names of the directors, were carried to the private ledger, the same book in which part of the enormous advance to the directors had been entered and kept from view. Mr. DOBREE and Mr. PRESCOTT, therefore, required to see that book; and not only has that been refused, but you have closed the investigation into the share accounts of the directors. It appears to Mr. DOBREE and Mr. PRESCOTT that the existence of the shares of the directors is most material, as part of the assets of the company; that the accounts in the private ledger are necessary for the elucidation of this and other matters of this inquiry, and they consider the withholding them a breach of the engagement with the Bank of England. In this opinion I entirely concur. Upon the mere verbal construction I am of opinion that the inquiry must be permitted, and that the particulars called for are strictly within the terms of the agreement; but this transaction cannot be allowed to stand upon so narrow a basis. The Bank of England have come forward upon public grounds to support an institution of such magnitude, that its failure, otherwise inevitable, must have been a public mischief; and they were compelled to do this upon such an emergency as not to allow of a previous investigation; but I insist on their right to every such information as a person in embarrassments must give to the person applied to for assistance, a full statement of the present situation and prospects of the company; and these can only be ascertained by an unrestricted inquiry into the past transactions of the company. And, to avoid any misunderstanding, I think it right to state, that I consider the production of the private ledger as now indispensable. It is a mere misapprehension of terms to treat such books as confidential. The private books of a trader or trading company are private from clerks; but it is to such books that reference must be made for the real state of the assets and profits of the company; and in this particular case the book is now known to contain the accounts of very large debts due to the company, which it is necessary and proper to investigate."

The following is an exact copy of the reply from the chairman of the Northern and Central Bank :

"Mr. MOULT has received your letter, dated 31st December, and sent for Mr. BRAIDLEY last night, but found him confined to bed. I am most

anxious to have every circumstance fully set forth for the satisfaction of Mr. PRESCOTT and Mr. DOBREE, and shall convene an early meeting to-morrow, (Monday,) to take into consideration your communication, and will forward, without loss of time, an answer.

“Broughton, 4 o'clock, 1st January, 1837.”

The private ledger was at last placed in the hands of the representatives of the Bank of England, and a discrepancy was discovered between the account tendered on the 17th of December, and that in the private ledger, by which the directors were indebted £90,000 more than had been represented.

Various circumstances were found out which prove the responsibility of a company, unless great care be taken to choose a direction well disciplined to their task. One director alone owed £70,000. In two months the board of managers had distributed among themselves 4,465 shares, at £1 premium, when they were selling in the market at £3 premium. Besides these, £3,465 were divided at a lower rate, also for their own benefit. “Some may be more deeply implicated,” says the confidential report to the House of Commons, “but justice requires that the case of Mr. STELL should be specially noticed. That gentleman had a large banking account with the company, and the directors invited him, at the latter end of the year 1835, to take a seat in the direction, to which he assented. Mr. STELL was already a proprietor of 1,400 shares, for which he had paid, but the directors proposed to give him an additional thousand shares at the premium of £3 per share, and consented, on his paying the premium, to allow the £10,000 to remain at his debit for two years certain, and a third year, if he required it, charging interest thereon at the rate of £4 per cent. per annum. Mr. STELL, in fact, paid £3,000 for premium; and these shares were allotted to him on the day, and no doubt at the same board, when the directors apportioned to themselves 1,000 shares, at £1 per share premiums.” A further instance was that of Mr. JOHN FERNELEY, of Manchester, who declined receiving an appropriation of shares, although they were selling at £5 and £6 premium in the market; and when it was pressed upon him, he, to avoid a collision, sold them, and sent the proceeds to the chairman of the bank.

Another circumstance was brought to light, evincing the necessity of care in accepting dividends, unless it can be clearly proved that they arise from the legitimate profits of the company. For the year ending December, 1835, an interest of seven per cent. was declared. The actual business profits of the company being insufficient to sanction this division, the directors provided for the deficiency by assuming a profit on unsold shares. The company was originally to consist of 100,000 shares; of these, 29,104 remained unappropriated, and the expedient, which certainly merits praise for its ingenuity, was resorted to, of imagining them to be sold at £1 premium, thus producing a fictitious sum of £29,104, to assist in paying the dividend of seven per cent. These circumstances, combined, induced Mr. DOBREE and Mr. PRESCOTT to request that a committee of inspection, unconnected with the recent administration of the company, should be associated for the investigation of the affairs of the bank.

So liberally, however, had the shareholders been used, that a doubt was expressed whether it would be possible to find four of them who were not indebted to the company. The difficulty was overcome, and the Bank of England having secured its interests by entering judgment for one million, which would enable them, in the event of necessity, to come upon the proprietors of the Northern and Central Bank, left the immediate management of the affairs to this newly-formed committee. At the meeting which took place on this occasion, Mr. FRESHFIELD explained the accounts as he had found them; Mr. MOULT remarked, it was "an exceedingly fair statement." Mr. BRAIDLEY also added, "the statement is a fair one;" and both these gentlemen expressed their obligations to the directors of the Bank of England for the pains they had taken; Mr. MOULT adding, he was surprised at the temper and forbearance they had manifested throughout the investigation.

Among the joint-stock banks which had been established through the declaratory clause, in the act of 1833, the London and Westminster occupied a conspicuous place; and on the 5th of April, 1837, an important opinion was given by Lord LANGDALE, in the Rolls' court. The question which was left for his lordship to decide, was the right of this establishment legally to accept bills of exchange, payable at a less date than six months. It appeared that the St. Alban's bank had drawn a bill on the London and Westminster for £25, at twenty-one days date, which bill was duly accepted by order of the directors of the latter. The Bank of England considered that the acceptance of a bill of less date than six months, by any banking establishment containing more than six partners, and within sixty-five miles of London, was a violation of the principles of their charter. Lord LANGDALE was of the same opinion, and decreed that an injunction should be issued restraining the London and Westminster Bank from accepting at a less date than six months.

The commercial discredit at the end of 1836 and beginning of 1837,*

* In France the public funds had rapidly risen in 1836; the three per cents, which had been 76 in January, were at 80 in December. Bank of France shares had risen from 1,755 to 2,145 in the course of the year. The revenue for 1836, for the first time since 1830, was superior to the expenditure, the former being 1,000,700,000 francs, (£40,028,000,) the latter, 999,467,000 francs, (£39,960,000,) leaving a small balance at the credit of the exchequer. The imports and exports, which had been very depressed in 1833 and 1834, became much more abundant in 1835 and 1836; and speculation outstripping the progress of real profit, opened to the ardent imaginations of the people the prospects of future and unbounded gain, which soon, like a fever, seized upon and carried away all classes.—ALISON'S *Europe*, vol. 7, p. 201.

Numerous French societies were established on the principle of *commandite*, or limitation of the liabilities of partners to the stock subscribed, which, as it lessened the risk of such undertakings, increased the favor with which they were regarded by small capitalists, and the avidity with which, as a matter of speculation, the shares were sought after by the public. In the two months of January and February, 1838, no less than sixty-seven societies of this description were set up, with the legal formalities, in France, with a subscribed capital of 108,222,000 francs, (£4,730,000,) divided into 219,212 shares; and in March, the fever of speculation had increased to such a degree that companies, with a capital of 274,572,000 francs, (£11,000,000,) were established in addition, divided into 399,635 shares.—ALISON'S *Europe*, vol. 7, p. 227.

arising from the panic which followed the excitement of the former year, was productive of renewed assistance on the part of the Bank of England. Some private banking houses claimed and received gold to a large amount, on the representation that if aid should not be afforded, the most disastrous consequences must ensue. One banking-house, that of *ESDAILE & Co.*, stopped payment. Great anxiety was evinced throughout the city. Fears were entertained lest a run should commence on others. It was agreed, therefore, that each of the London bankers should pay £5,000, in order to prevent a catastrophe which might have become generally ruinous. By this policy the city was preserved from distrust, and the creditors of *Messrs. ESDAILE* received all their demands in full.

From the beginning of 1837 doubts had been entertained that "the resources of the principal houses in the American trade, vast as those resources were known to be, would not be sufficiently adequate to meet the enormous extent of their engagements." In February and March their difficulties had excited great attention; and it became doubtful to what extent their necessities would require assistance, and, until this doubt was expelled, great concern was felt in all monetary circles. The bullion left the bank coffers; and by the 7th of February it had fallen to £4,032,000. In this month the emergencies of the great American houses were notorious; and it afterwards became known that they had applied for and received assistance from the Bank of England. It was soon ascertained that a sufficient amount had not been granted to save them from falling; and in May, 1837, they again applied for help. On an investigation of the offered securities they were found inadequate; and, after a long and anxious deliberation, the directors came to the conclusion of refusing the request. The ramifications of these houses were so extensive, that it was evident great mischief must ensue from their destruction. On the 1st of June, 1837, the day on which the appeal was finally rejected, three great American firms announced a suspension of payments. For a week there was great distress, if not an absolute panic, as the houses alluded to were under acceptances, at the time of their failure, to more than five millions. By the absence, however, of much doubtful paper, the circulation became sounder; and, assisted by advances from the bank, to the amount of £6,000,000, the trade of the country revived. The years 1838 and 1839 witnessed a repetition of similar scenes. In nine months 3,300,000 quarters of grain were entered for home consumption. The large payments for foreign corn had depressed the exchanges, and the country was embarrassed still further by its financial relations with the United States. American securities had been over-imported, and there was a continued drain upon the bullion of the Bank of England, which was reduced from £7,073,000 in April, 1839, to £2,522,000, at which it stood in the following October. On the 16th of May an effort was made to stop this progressive drain by raising the discount to five per cent. On the 20th of June it was again increased to five and a half, with the further announcement that money would only be advanced on bills of exchange. Still the drain went on; and on the 13th of July a notice was issued that the bank would receive proposals for the purchase of the dead weight, either in money or in stock. The attempt failed, as the price offered did not reach its estimated value.

"They then," said Mr. NORMAN, "pledged a portion, and obtained credits in foreign countries upon it; which they made use of to the amount of about two millions and a half. They also borrowed £750,000 in exchequer bills from the East India Company, on the same security, a portion of which they made use of." The drain for bullion ceased about October. "I have no doubt," says the same authority, and it must be received with the respect due to a thorough comprehension of the subject, "that the foreign credit operated materially; it tended to restrict the circulation here, and it also furnished means of foreign payment."

The operation to which allusion is made, of "credits in foreign countries," was not unprecedented in the history* of the bank, having previously been resorted to in 1832 to 1836. An idea generally prevailed that the English corporation had been compelled to borrow bullion from its less opulent neighbor, but this was a misconception. The following, from "*The Times*," is a correct account:

"In July, 1839,† the bullion in the Bank of England had fallen below three millions sterling, while its rate of discount was as high as 5½ per cent. It was evident that the causes for the existing drain consisted more in distrust abroad, founded on the belief that the Bank of England could not long continue specie payments, than in an unfavorable balance of trade, or a run for sovereigns to hoard at home. Parties on the continent drew out all their balances here, and as much more as their correspondents would give them credit for, discounted the acceptances in London, and, in the absence of foreign bills, took gold from the Bank of England. Under these circumstances it was impossible that exports of

* As Bank of England notes were now declared a legal tender every where except at the Bank of England, they were, to all practical purposes, an inconvertible paper currency, except in those periods when bad harvests, foreign wars, or any other cause, induced a great drain upon the metallic resources of the country, and brought the notes back in multitudes to be exchanged for gold at the parent establishment. At this time, however, not only was there no such drain, but the very reverse was the case. So firm had the seasons been, and so great the progress of agriculture under the protective system, that the import of wheat had sunk almost to nothing; on an average of five years ending 1836, it was only 380,000 quarters, and in the two last years of the period it was under 30,000 quarters. Thus the gold was kept in abundance in the country, and the paper was still more so; for, in consequence of the practical inconvertibility of Bank of England notes *during prosperity*, the paper in circulation, including that of country banks, had risen since 1831 nearly three millions. No combination of circumstances could have been figured more likely to induce present prosperity, or one more certain to be durable, if the currency had been established on a proper foundation. Unhappily, based as it was upon the retention of gold, which, in the nature of things, could not be permanently retained, it stood upon a sandy foundation, and upon that gold being withdrawn numberless calamities ensued.—ALISON'S *Europe*, vol. 7, p. 145.

† It was the *incessant fall* in the price of commodities of every sort, which had now gone on, with only two periods of intermission, of two years each, for twenty years, which was the cause of this universal and unheard of distress. With the exception of the years 1824 and 1825, when the small-note bill temporarily suspended the decline, and the years 1834 and 1835, when the joint-stock bank bill and the bill making Bank of England notes a legal tender, save at the Bank of England, produced the same effect, the whole period from 1819 to 1839 had been one of incessant fall of prices. The chief articles of commerce had declined in money value, during that time, 50 per cent.; many much more.—ALISON'S *Europe*, vol 7, p. 321.

produce and manufactures from England could take place immediately to a sufficient extent to counteract the evil; but it was seen that the difficulty would be met, if a temporary creation of bills on the continent could be effected. With this view, the Bank of England engaged to transfer English securities, as a guarantee, to Messrs. BARING BROTHERS & Co., or those whom they should name, and this house engaged to draw three months' bills for forty millions of francs on various houses in Paris. These bills, which BARING BROTHERS & Co. negotiated on 'change, paying the proceeds into the bank, so as gradually to act upon the circulation, fully supplied the trade demand for remittances hence, and equally served to meet all paper in England remitted here for returns, as they proved a better return than gold. At the end of three months, when the acceptances fell due, the same amount was re-drawn, so as to cover each acceptor by bills on his neighbor, thus prolonging the operation to six months; but, before the expiration of this period, the supply of the regular remittances of commerce had been such as to enable Messrs. BARING to liquidate all the engagements in Paris, and to restore the pledged securities to the Bank of England.

“From this statement the Bank of France will appear to have had nothing to do with the operation; but a mode by which they facilitated its progress, and which doubtless gave rise to the erroneous suppositions which have since been entertained on the subject, remains to be mentioned. The drafts drawn by BARING on the various French houses were, of course, liable to be presented for discount to the Bank of France; and as these firms respectively had credit only to a certain limit with that institution, there was a possibility that their rejection might become necessary, owing to such limits being exceeded. This difficulty was calculated to produce an injurious effect; and application was therefore made to the Bank of France, in order that it might be overcome. An understanding was accordingly entered into by the Bank of France, that the drafts, in case they should make their appearance, should be discounted, without regard to the limits in question. This precautionary arrangement, however, proved to have been scarcely essential; for, the drafts being of the first character, and the rate of discount at the Bank of France being somewhat higher than the market rate, they were readily discounted out of doors; and hence it is believed that but a very small proportion found their way into that establishment.”

The lowest sum to which the bullion was reduced was £2,300,000; but from this amount the reaction took place, and the monetary affairs of the bank were restored to their ordinary footing; and when, in 1839, the Bank of the United States of America applied for that assistance which was required through pressure and difficulty, they were enabled to offer £300,000, which, however, being deemed insufficient, was rejected by the latter.

Mr. PALMER attributed the drain of bullion to three causes: “The first I take to have been the very large amount of American securities that was sold, or for which credit had been given in 1838, and to February, 1839, which increased considerably the amount of bills upon London, in the continental markets; the second cause I attribute to the unprecedented extent of the purchase of foreign corn, in almost every

America. The importance of their transactions with this country may be gathered from the fact, that two gentlemen were confidentially employed by them to visit America, on the important question of representing their interests, and assisting them in procuring an adjustment of their accounts.

The use of bank notes, independently of their legitimate value, appears to be incalculable. It has been seen that they may be pasted on a village casement, in company with a ballad, to keep out the wind; and that an Algerine slave may make them the medium of communication with his friends in the north. But the most extraordinary power to which they have been placed is to be found in what our authority calls "manifolding." A person carrying on a somewhat extensive business in the provinces, being in want of cash, and in possession of a £50 note, came to the resolution of cutting it in two. With one part he went to a moneyed acquaintance, told him he had just received it by post, and that the other would follow in a day or two, and it would be a great convenience if his friend could advance him cash to the amount on its security. The person to whom he applied consented to the request. Having been thus successful with one-half, he determined to try the other; with it he proved equally fortunate, and thus his £50 note procured him £100. The game was too profitable to be given up at once; so he went to a banker, and demanded a £100 note with the cash he had received. Again he had recourse to the process of cutting; again he victimized two acquaintances, and thus procured £200 for his £50. With the money thus acquired he departed, satisfied with having gained £150 thus easily.

In 1836, in consequence of the failure of several East India houses, and the discredit which was generally felt, a resolution was passed authorizing the issue of bills of the Bank of England, payable at sixty days' sight.*

* The public funds of Great Britain have undergone some fearful vicissitudes. In 1700, on the death of the King of Spain, they fell to 50 per cent. After the peace of Utrecht, in 1715, they rapidly rose, and between 1730 and the rebellion in 1745, were never below 89; but during the rebellion sank to 75. They fell to 53 in 1782, at the close of the American war; and, mounting afterwards to 97½, in 1792, fell, in 1798, to 47½. This was the lowest they ever reached. Between that and the highest point, 107, attained in the year 1737, the difference was equivalent to 127 per cent. above the minimum price, sufficient to annihilate many fortunes; or to confer great wealth on those who purchased when the funds were at the lowest. From 1755 to 1844, a period of nearly ninety years, consols were always below par.

In the eighteenth century, consols were frequently, and for long periods, at or above par, viz.:

<i>Year.</i>	<i>Highest Price.</i>	<i>Lowest Price.</i>	<i>Year.</i>	<i>Highest Price.</i>	<i>Lowest Price.</i>
1732,	101 per cent.	96 per cent.	1743,	103 per cent.	100 per cent.
1733,	103 "	92 "	1749,	102 "	91 "
1736,	103 "	100 "	1750,	101 "	98 "
1737,	107 "	105 "	1751,	103 "	97 "
1738,	106 "	102 "	1752,	106 "	101 "
1739,	105 "	97 "	1753,	106 "	104 "
1740,	101 "	98 "	1754,	104 "	102 "
1741,	101 "	98 "	1755,	101 "	90 "
1742,	102 "	98 "			

CHAPTER XXIII.

EXCHEQUER BILL FORGERIES BY EDWARD BEAUMONT SMITH—NEW DISCOVERY—LEGAL DECISION—INTERNAL ALTERATION IN THE CIRCULATION AND NATIONAL DEBT DEPARTMENT—GREAT CONTINENTAL CONSPIRACY BY M. DE BOURBEL, 1839—1840—ITS DEVELOPMENT AND DISCOVERY—FATE OF THE PERPETRATORS—TRIBUTE TO “THE TIMES.”

IN the month of October, 1841,* the members of the stock exchange were startled with the rumor of a series of forgeries, the ramifications of which were said to be so wide that no person could tell to what extent they had penetrated. It was stated that a large proportion of the ex-

* The period from 1836 to the beginning of 1841 was pregnant with important financial and commercial events in both Europe and the United States, including the momentous revulsion of 1837 in the United States, and the distress in England. The following were the leading events of the period:

1836.—Death of N. M. ROTHSCHILD, at Frankfort, July 28. Charter of United States Bank expired, March 4, and succeeded by Pennsylvania United States Bank. Reduction of the newspaper stamp duty in England, 15th September. Failure of the Commercial and Agricultural Bank of Ireland. Anthracite coal used for steam-boats on North River. Independence of South American republics acknowledged by Spain, 4th December. 1837.—Panic in the London market, June. Failures of American bankers in London. Further modifications of the usury laws of England. Failure of banks in the city of New-York, May 10. Grand Junction Railway, England, opened 4th July. Revolt in Canada. Mont de Piété, Limerick, established. 1838.—Railway partially opened from London to Southampton, May. London and Birmingham Railway opened, September 17. Arrival of the steamers *Great Western* and *Sirius* at New-York, from England. Reduction of taxes on paper and newspaper stamps and assessed taxes. International copyright act in England, July 31. Wreck of the *Forfarshire*; heroism of GRACE DARLING, 5th September. Royal Exchange, London, burned, 10th January. Resumption of specie payments in New-York, May. Sub-Treasury bill defeated in Congress, June. United States Exploring Expedition, under Captain WILKES, left Hampton Roads, 19th August. Imprisonment for debt abolished in England. 1839.—British treaty of commerce with the United States, January 19. Eastern Railway opened to Rumford, June 18. Penny postage act passed, August 17. Slave trade suppression act passed in England, August 24. British trade with China stopped, December. Second suspension by the banks at Philadelphia, 9th September, followed by bank failures in the South and West. Western Rail-Road, Worcester to Springfield, opened, 1st October. Union Bank, London, commenced business. 1840.—Penny postage adopted in England. Postage-stamps and stamped envelopes come into use, May. London and Blackwall Railway opened, July 4. The opium war in China. The Chinese fort at Amoy destroyed by the English, July 3. Island of Chusan seized, July 5th. Blockade of the Chinese coasts, July 10. Antarctic continent discovered by WILKES, 19th January. First steam vessel at Boston arrived from England, 3d June. First CUNARD steamer (the *Britannia*) arrived at Boston, 18th July, and the *Acadia*, 17th August. Fiscal bank bill vetoed by President TYLER, 16th August. Bankrupt law passed by Congress, 18th August. Bill for distribution of public lands passed by Congress, 23d August. Fiscal corporation bill vetoed by President TYLER, 9th September. Loan of \$12,000,000 authorized by Congress.

chequer bills, then in the market, were forged. Great alarm spread throughout the holders of these securities. No one knew how far he might be involved, and there was no mode of testing their authenticity. The report continued to increase; and the public were made aware of a fraud so great that it jeopardized the prosperity of many first-rate houses, and so dishonorable that it is difficult to find an excuse for one who had possessed the confidence of his superiors for twenty-eight years, and who, by his nefarious transactions, disgraced alike himself and his connections. The Bank of England were deeply interested in the question, as exchequer bills formed a deposit on which they frequently advanced money. The species of bill chosen was the supply bill, issued under the authority of various acts of Parliament, and either paid off or exchanged, according to the option of the holder, after the expiration of a year. They pass with as much facility as a bank note, and are, from many circumstances, a favorite investment. In 1841, Mr. DAVID HÆS, a member of the stock exchange, was requested to lend money on exchequer bills; but the interest offered of six per cent. seemed so strange to this gentleman, who had lent £20,000 at four per cent., that his suspicions were aroused, and he immediately entered into a communication with the chancellor of the exchequer. To those who are uninitiated in the mode of transacting business at the stock exchange, the following evidence of Mr. HÆS will prove both novel and interesting: "I had been," said this gentleman, "in the habit of lending money on foreign stock, but thought it imprudent to continue; and that I would take it out of the foreign market and lend it on English security. I lent £20,000 on exchequer bills at four per cent. I was walking up Broad-street about ten or eleven o'clock, on Tuesday morning, with a friend, when a person crossed over the way to me, and said, 'You are the man I want; will you lend me some money on exchequer bills?' I said, 'Yes, I will; it depends upon the amount, the interest and the time.' He says, 'The interest is six per cent. for three months; you may have £10,000 worth.' I thought that very good interest certainly. But he parted with a man on the opposite side of the way. I, at that time, did not consider him a man likely to have the bills in any way at all. He said, 'You can have ten, or you can have twenty.' I am not sure whether it was not more. He said, 'We will take the money from to-morrow, but begin the interest from to-day.' The amount of interest I do not care for at all, but we are not in the habit, in the city, of giving up a day's interest; and I said to the person with me, 'Here is something smoky;' and said to the man who offered me the bills, 'Do not consider any thing binding in what I have done with you.' I went to the stock exchange, and said to the man to whom I had been lending on exchequer bills, 'This is a pretty joke; I lend you money at four per cent. on exchequer bills, and go out and get an offer at six!' 'Oh!" said he, 'You may let me have mine back; but I will refer you to another man.' I communicated with that other man, and he told me I had better go over to a banker's in Lombard-street, and ascertain the fact. I went there, and, combining all the circumstances in my mind, it struck me there was some robbery, and I made up my mind and sat down, and wrote to the chancellor of the exchequer. The whole did not occupy me twenty minutes." This

important letter, through which the transactions to be related were brought to light, requested a few minutes conversation, on the plea that the importance of the writer's communication as to what was going on in the exchequer bill market, was such that he was led to consider the chancellor would not think his time lost if he devoted it to this communication.

On the following morning an interview was granted, and Mr. HÆS detailed the transaction, mentioning that the doubts of Mr. JOHN FRANCIS MAUBERT had been awakened on a previous occasion. This gentleman also had a meeting with Mr. GOULBURN, who was informed by him that in November, 1839, he had been paid seven per cent. on exchequer bills, when the market rate of interest was only six and a half per cent.; that as he considered the circumstance remarkable, he had declined any further transactions with the same party, and the event was only recalled to his mind when the decision and promptitude of Mr. HÆS had brought the affair to light. So searching was the inquiry immediately instituted, and so easy of detection was the fraud, when suspicion was aroused, that by the 25th of the month, EDWARD BEAUMONT SMITH, chief clerk in the issuing office of the exchequer, was taken into custody. "Availing himself of his official capacity," said the chancellor, "the offender has taken the bills from the office in which he served, in order to forge the name, whose signature they were bound by law to bear." In every other particular they were genuine exchequer bills, and there was, therefore, no difficulty in procuring money on them. But a confederate was necessary; and confederates in crime are rarely wanting when wealth is to be attained. ERNEST RAPALLO and ANGELO SOLARI, foreigners, long resident in England, were the agents employed. It was only advisable to raise money on these bills in the way of loans, as, if they should obtain a general circulation, it was possible that duplicates might pass into the hands of the same party, whose doubts would be aroused; and it was certain, were this danger even avoided, that at the regular periods of paying off or exchanging them, a discovery must inevitably be made.

For five years did EDWARD BEAUMONT SMITH, ERNEST RAPALLO and ANGELO SOLARI confederate to employ the vast power lodged in the hands of the first, in defrauding the public. By introductions to brokers and bankers, by plausible assertions that there were friends, great capitalists, who were advancing money, and last, not least, by the offer of a higher rate of interest than that of the market, did these men succeed in their designs. Upwards of £800,000 were thus procured; and as another proof that money wrongfully gained is easily lost, they paid upon the stock and share markets large differences with their dishonest gains; in all probability flattering themselves that, by some fortunate hit, their liabilities would be paid and their fortunes secured.

It was invariably stipulated that the very bills which were pledged should be returned when the money was repaid, or on other exchequer bills being given. But this was not unusual; it being a recognised principle on the stock exchange that the borrower had a right to demand a restoration of the same documents which he had advanced. On one occasion some of them got into the market, and when the time expired, the same bills were not of course forthcoming. As soon as the discovery

was made that eleven of the papers returned were not those which had been lent, great anxiety was evinced, and after much trouble they were procured, at an expense of £50. It appears strange that these combined facts did not lead to detection. The fears of the money-lenders were, perhaps, allayed, by a high rate of interest, and probably many shut their eyes, if not wilfully, yet with that obstinate resistance to truth so frequently shown under circumstances which promise large profits. It has been seen that Mr. MAUBERT had some doubts about the fairness of the transaction in which he had been engaged, and the small difference of one-half per cent. justified him in remaining quiet, but immediately the crime became public, a hundred incidents could be remembered by others; and a hundred communications made to the chancellor of the exchequer, either one of which, sent at the proper time, would, in all probability, have led to the immediate discovery of the fraud. The Duke of Wellington positively asserted, that though there were many innocent sufferers, yet a great number of the holders of the fraudulent exchequer bills were believed to have a knowledge that they had been issued under fraudulent circumstances.

The great alarm of the possessors of these securities may be conceived; and it was doubtful in what light government would regard many of them, as it was understood that the caution used, with the amount of the interest received, would be taken into consideration, lest those who had wilfully closed their eyes to the deception should be rewarded. A committee of the House of Commons was appointed, who delivered their report, and the result was a commission to inquire into the whole transaction. During this period, the owners were utterly ignorant as to the treatment they would receive. Their claims were strongly supported by the press; and the report of the committee was important, as it proved that an enormous power had been vested in the hands of the defaulter. "The sole direction of the quantity of paper to be manufactured," said this document, "of the plates to be engraved, and the custody of the moulds, plates, and of the paper unprinted and printed, of the press, seal and counterfoils, as well as the entire preparation of the exchequer bills, were entrusted to the uncontrolled discretion and integrity of the senior clerk of the department in which the bills were prepared, and, during the absence of his assistant clerk, unchecked by any regular examination of the stores or of the tradesmen's bills." This extraordinary power was commented on by the press. "If government had secured the exchequer seal by placing it in proper custody, and providing for its use only in the case of certain authorized persons, it would have been impossible for any single exchequer clerk, year after year, to issue hundreds of forged bills properly stamped."

The Bank of England was deeply interested. On the 21st of September, they had advanced to Mr. TOMKINS £11,000 for one month, on the security of certain documents, purporting to be exchequer bills. The money had been lent upon condition that if they were not redeemed at the expiration of the time, the bank should be at liberty to dispose of them and pay themselves, with interest. At the proper period, Mr. TOMKINS redeemed three, but being unable to take up the remainder, they were sent into the market, and pronounced spurious. An action was

brought against Mr. TOMKINS by the Bank of England to recover the amount, and a verdict given in their favor.

The arrangement by which government met the views of the holders of the exchequer bills was considered fair and equitable. In February, 1842, it was announced that of the £377,000 in circulation at the time of the discovery, £262,000 would be paid. The cases were divided into four classes, distinguishing the various degrees of care which had been evinced by each. Great endeavors were made to procure a remission of SMITH'S sentence, but the efforts were vain, and the punishment of transportation was awarded to the offender, who, with his accomplices, had received altogether the amount of £385,000.

The long period during which these forgeries remained undiscovered speaks loudly for the inefficiency of government arrangements. Against a combination of treacherous men it is almost impossible to guard, but the public have a right to demand that at least there shall be some mode of quickly detecting, even if it be impracticable utterly to prevent fraud.

The internal alterations of the bank, which commenced in 1839 and lasted until 1845, claim a calm, unbiassed statement. While in the secretary's office, where he had been since 1837, Mr. WILLIAM RAY SMEE was employed to draw up some important documents for the governor, a task that was performed greatly to the satisfaction of the latter, it occurred to Mr. SMEE that a proposal to simplify the working of the dividend warrant, and the check offices, the latter of which was so termed from its operating as a check on the payment of the national debt, might be favorably received; and that he might compromise no one save himself in the event of failure, he handed his proposition to the governor without acquainting the chief accountant. By the proposed alteration he stated that the work of the check office, employing three principals and twenty-one clerks, would be accomplished more effectually with two principals and seven clerks. The project was approved, a committee of directors appointed to inquire into its merits, and after an anxious investigation, the more so as it emanated from a young man whose financial abilities were not then generally known, the proposition was adopted, and the scheme carried out. This important check on the payment of the national debt, with all the intricacies involved in 600,000 warrants, being successful, Mr. SMEE immediately presented to the governor another plan for remodeling the whole circulation department of the bank. The importance and perfection of the project may be understood from the fact, that after it had been approved by the committee, although it was reconsidered, then sent to another committee, then altered, and again re-altered, the original plan, after several months close and careful inquiry, was ordered to be carried into execution.

The scheme was simple. It was, however, interesting to the public, as, on the day of its adoption, the bank ceased to re-issue its notes. By the old system, the numbers, amounts and dates of the latter were copied into books, in the order in which they were received. The amounts were then added, and the notes posted in a ledger, that they might be referred to for the courts of law and the public, in cases of fraud or litigation. These postings were afterwards examined from a copy of the cash books,

in which the notes were entered, giving the balance of each ledger. The new system abolishes the entry in the cash books, and stamps every note on its entrance with a number which gives the full particulars of the parties who send it in. The notes are then arranged numerically, thereby saving the copying of the date and number, except the last two or three figures, and altogether saving the entry of the amount; while the posting, which before took fifty, now employs eight clerks. As the circulation is nearly numerically doubled, it is impossible to say what amount is saved to the public; but, judging from the number stated to be employed by the report of the committee of the House of Commons, it is probable that the old plan could not be reverted to under eighty extra assistants.

On the day of its commencement one hundred and twenty clerks were employed. From the novelty of the various operations, the balance, the great proof of success, was not arrived at till near eight o'clock. On the second day of its trial, the same result was arrived at by five o'clock. On the third it was tried by three o'clock, but without the same success, being £5 deficient. Every plan that could be imagined was tried to discover the supposed error. For seven hours were the clerks of the department employed in examining and re-examining the books. For seven hours were they detained investigating and re-investigating the notes, of which the books were a copy; and it was curious to witness a young man of three and twenty, with unchangeable confidence in the soundness of his system, directing, or attempting all those experiments which a perfect knowledge of the accounts suggested as most likely to discover the presumed error. At ten o'clock the search was given up; and the ruin of the new system seemed complete. The information spread rapidly that the office had separated without a balance; and it could have been no pleasant task to Mr. SMEE to meet the governor next morning with the news. The confidence of the latter, was, however, complete; the plan went on; a mode of detection was adopted; and it is to be presumed that the dread of discovery produced the note, as the balance, a few days afterwards, was £5 over, and the very note which had been proved to be missing was found to have been returned.

A change in the working of the circulation department had long been considered desirable. Mr. MELLISH, one of the directors, and member for the city, took considerable interest in the accomplishment of an alteration; and on one occasion there is a tradition that, being desirous to ascertain the real nature of the duty, he announced his determination to the principal of the accountant's office, to come and attempt a day's work. The morning arrived, and with it Mr. MELLISH. The day was a heavy one; the business was new; and the books were brought him with all the gravity suitable to the occasion, and perhaps more frequently than was absolutely necessary. They came too fast for him. In vain he exerted himself with all the energy of which he was capable; there was to him a difficulty in finding the proper folios; that which clerks, accustomed to the operation, performed almost intuitively, was a great exertion to a novice, and, long before the day had passed, Mr. MELLISH beheld such an accumulation of ponderous tomes, both before and behind him, that he gave up the attempt in despair, and from this period an alteration was made in the amount of labor, which was perhaps more in proportion

to the clerks' views of propriety than before. The same gentleman—and these things, trifling in themselves, are an evidence of the desire of the direction to improve the economy of the establishment—saw the principal of the office in which he had worked in the area of the Royal Exchange. Immediately accosting that gentleman, he earnestly addressed him on the subject of the proposed alteration, and seizing the button of his coat, pulled at it with the same energy with which he was talking, nor was it until the button was divorced from the coat that the individual whom the director held captive was enabled to make his escape. Mr. MELLISH may almost be said to have died in the service of the corporation. On the night of the fire of the Royal Exchange, although but recently recovered from an attack of gout, he came down to the bank, the thermometer standing about ten degrees below freezing point, saw every thing done to secure its safety, and died from his exertions. Perhaps no man would have been more pleased with these alterations than Mr. MELLISH, had he lived to have witnessed them. But singular enough, it was stated at the time, that the greatest difficulty Mr. SMEE had to surmount was, that Mr. MELLISH had proposed several years before an alteration with a similar object, and had abandoned it.

From the above period various alterations occupied the attention of Mr. SMEE, till the spring of 1842, when a committee was appointed. They reported the triumphant success of the plan, and it has been in working ever since. In the following week, the same gentleman proposed another alteration in the circulation department, by which the whole of the post-bill office was successfully re-modeled. Mr. WILLIAM RAY SMEE's influence was now doubled; and the next step which he took was the first movement in the alteration of the national debt department, by which the posting in the dividend office was abolished. Success produced confidence; and the proposition which followed for an entire alteration in the management of the national debt, almost involved in its failure or success the payment of the dividends at the appointed time to the public creditor. Looking calmly back on the magnitude of this transaction, it appears singular to reflect on the confidence reposed in Mr. SMEE. It is impossible to magnify the greatness of the operation, for the balance of 600,000 accounts was to be procured by it, and it is impossible to deal with any thing more extensive than the national debt of England. The confidence was, however, absolute; and success justified the confidence.

The bank—like other large establishments—is an epitome of the world. Men are contented to abide by their old institutions, and deprecate change as evil. It was very natural that those who had followed one particular plan for thirty or forty years should be prejudiced in its favor. This plan, by a high and competent authority, (Mr. HIGHAM, Comptroller of the National Debt Office,) had been pronounced perfect in all its details; and a proposal to alter perfection must have sounded to these gentlemen something like presumption. It was natural enough for those who knew the working of the old system to think that a new plan must fail; to be slow in recognising its advantages, and to apprehend a want of safety in various departments which had hitherto been regarded as perfect. It is hardly too much to say, that the proposer was deemed arro-

gant by some, and that it was firmly believed by others that he would not succeed in procuring the requisite balances. To enter into a description of the new, would be useless, without doing the same with the old arrangements; but their importance may be gathered from the fact that the dividend books, from which the public creditor receives his interest, are now commenced a week earlier than before, while, during the remainder of the time that the books are closed for transfer, certain operations are rendered less laborious, and the officers have less to do than heretofore.

The task was difficult. Involving as it did the most important operations of the bank, with consequences to the corporation no less than to the projector in the event of failure, it is probable that both the governor and chief accountant experienced great anxiety during its progress. Mr. SMEE himself, with a most remarkable confidence, never shaken by any apparent difficulty, went through it with unswerving decision. But the labor was not trifling. To initiate those in a new, who had grown gray in the practice of an old, system—to explain the intricacies of a fresh plan to those who would have preferred proceeding in the good old path, and who, at first, unavoidably confused the one with the other—to find out errors which had occurred through ignorance of the detail, and which required a complete knowledge of it to detect—appeared to require an older head than his who now attempted it, and who pursued his task with a most unalterable faith in the excellence of his scheme. The plan was successful; the balance was obtained; and a most important result, far greater than any pecuniary consideration, was arrived at.

The directors were enabled so far to consult the accommodation of the public, as to enable the transfers in the various offices to be made eight or nine days later than usual; the business which formerly occupied about thirty-two days being accomplished in about twenty-three. That this is a most important result, and that it would be found highly beneficial during monetary crises, may be gathered from the fact already given, that during the panic of 1825, when the demand for money was so extensive, upwards of one hundred transfers were daily made as a favor, and after much trouble, by those whose necessities compelled them to sell stock.

The importance to the banker and the merchant can scarcely be over-rated, as there must ever arise periods of pecuniary difficulty when the advantage of having a command over money in the funds is to the possessor almost incalculable. The complete results, however, of these stock-office arrangements, whatever importance may be attached to them, are probably not yet attained either by the bank or the public.

It is possible that these pages may be perused by parties engaged in similar attempts in other establishments. Let them not imagine that these alterations in the economy of the Bank of England were effected with the ease with which they have been related. Let them remember that great operations are liable to great difficulties; that they may have to contend with the power of the strong and the jealousy of the weak; that in some there may be the pretension which promises much, but produces nothing, while the capacity of others may be only employed in condemning that which they cannot improve. To alter the system of a

century is no trivial task; to carry those alterations into effect requires no ordinary mind; and with all the appurtenances of power resolution of no common nature is demanded. The abuses with which we are familiar are sanctioned by time, or appear so woven into the fabric, that in destroying the one we seem to tear down the other; and whatever the change, there are always so many antagonistic interests, and so many important considerations, that, to adopt the words which an Edinburgh reviewer applied to Sir SAMUEL ROMILLY, he who would alter must, in all probability, "share the fate of all propounders of change in any institution, be derided by some, and by others be regarded as the advocate of a desperate cause."

Various efforts were made in 1843 to procure a salutary relaxation of the labors of clerks in banking establishments, although without success, as the attempts made by benevolent persons to procure an additional hour have hitherto failed. The argument was adduced that other classes worked longer than clerks; and this obtained favor with those who were against the movement. In May, 1843, the Bank of England, in compliance with a request of the members of the stock exchange, gave notice that no transfers would be allowed after one o'clock on Saturdays, and that the future public days would be Tuesday, Wednesday, Thursday and Friday, for all the stocks. In the same year the light sovereigns were called in, and much uneasiness occasioned to the poorer classes. The bank received only large quantities; the poor man, therefore, was left to the mercy of the small tradesman. Sixpence, and occasionally a shilling was demanded, and the holder could only complain and comply.

Every arrangement was made by the directors to forward the business; but in this, as in other instances, much dissatisfaction was evinced. Those who were compelled to apply were sometimes obliged to wait, and their detention generally gave birth to a letter in the daily papers, about loss of time, bad arrangements, with unfair complaints against the clerks. There is no public establishment in which so much accommodation is afforded to the public, or where such attention is shown; and there is no place against which so many unjust charges are brought. They generally emanate from the small holders of stock, who fancy that the privilege of receiving their dividends twice a year is to be accompanied by a deference, an obsequiousness and a promptitude which the moneyed man and the banker never think of claiming.

The total amount of light coin received from the 11th of June to the 28th of July, 1843, was £4,285,837, and 2½d. was the loss on each, taking an average of 35,000. The large sum of £1,400, in one pound notes, was paid into the bank this year. They had probably been the hoard of some eccentric person who evinced his attachment to the obsolete paper at the expense of his interest. A few years afterwards a £20 note came in which had been outstanding for about a century and a quarter, and the loss of interest on which amounted to some thousands.

It is now the province of the writer to relate one of those occurrences which occasionally interest the somewhat uneventful hours of a commercial community. The union of rank, talent and accomplishment, with fraud, dishonor and dishonesty, forms, in the present instance, a relation sufficiently interesting to pass an hour by the winter fire-side, and suffi-

ciently striking to demand the attention of the monetary man, and the notice of the observer of human nature.

Florence, the beautiful capital of the grand duchy of Tuscany, is, both from its natural advantages and its acquisitions in art, the chosen residence of many members belonging to the most aristocratic families from every country in Europe. Some reside from choice, others from necessity. Some are of unimpeachable honor, others are of broken fortunes and questionable reputation. None were more remarkable, from a combination of the latter, than the Marquis DE BOURBEL, whose family was, according to his own showing, as old as the "rocks of Provence," and CUNNINGHAM GRAHAM, of Gartmore, whose name is a sufficient description of his country. Although there might be a little gasconade in M. DE BOURBEL'S description of his race, there is little doubt that he was of an ancient stock, which could be traced back to the *gentillard*, or small gentleman of Normandy, a rank somewhat analogous to the better class of English yeomanry. The Marquis, whose immediate ancestor is said to have filled some subordinate situation under the Governor-General of India, entered life with no ordinary advantages. While young he became attached to the French embassy in Portugal, and afterwards at Copenhagen. From such situations many men of less capacity have risen to wealth and honor. This was not the fortune of the Marquis DE BOURBEL, who, from some cause or another, sunk to the unenviable reputation of a gambler, duellist and roué. His accomplishments were varied. A great linguist, a good draughtsman, a fine equestrian, and a skilful fencer; he rode, fought and fenced, until he became a member of the secret French police, a degradation sufficiently accounted for when it is added that he was universally regarded as a thoroughly *mauvais sujet*. He appears, indeed, to have been one of those specious, agreeable persons, whom good men pity, and with whom bad men associate. His wife, an Englishwoman, who, with her fortune, had been caught by the showy exterior of the Marquis, died broken-hearted, shortly after his elopement from her with her maid, or with an opera-dancer, history is uncertain as to which. But even the laxity of the Italian morals found the Frenchman too bad for it, and he was compelled in some measure to submit to public opinion, by retiring to a country-house, near Leghorn, on the road to Florence.

The seclusion of the Villa Micali, the name of the place to which DE BOURBEL retreated, was often enlivened by the visits of the remarkable man who has already been named, CUNNINGHAM GRAHAM, of Gartmore, in Scotland. The bad pre-eminence of the Norman was rivalled by the cool craft and unprincipled design of the Scot. A large estate which had devolved to him he had squandered; the fair fame of his ancestors he had disgraced; the honorable name which had descended with his estates he had tarnished; and, in 1828, he was compelled to leave Scotland to avoid his creditors, in an exile which ultimately brought him to Florence, and made these two dangerous men acquainted. GRAHAM, like his friend, was a person of considerable accomplishments. There was, moreover, a refinement and taste in him which was absent in his companion. Although he possessed a love for the fine arts, it was in the more imitative and mechanical ones that he excelled. With a turn

ing-lathe he formed tools ; and possessed sufficient skill to work on rare engravings of RAFAEL MORGHEN, and the *chef d'œuvres* of DOMENICHINO and GUIDO RENI, which he traced with singular success.

Such were the two men who sought each other's society at the Villa Micali, and who first brooded over the artful and daring fraud that sought for its victims all the great European bankers, and which, in its unparalleled boldness and cupidity, looked to the gain of a million sterling as its reward. The idea was worthy the crafty brains from which it emanated ; and in order to carry the gigantic crime into execution, it was proposed to forge those "lettres circulaires," (better known in England as letters of credit,) which are obtained from the principal bankers, for payment by their foreign correspondents.

These letters, which are issued for sums varying from £100 to £10,000, are very much alike, and are all engraved in black with blank spaces for the amount, the name of the bearer, and the banker's signature. The great credit and immense business of the house of GLYN & Co., made them fixed upon as unwilling assistants in this bad transaction. On the letters used by this firm their initials are stamped. Below them is the blank space for the various sums to be entered, which are paid until the amount of credit is exhausted. As an assistance to the holder, the names of the principal places of Europe are annexed, with the bankers to whom the credit is addressed ; thus, to the first, of Abbeville, is given that of MESSRS. DAVERTON and THOLOME, and to Zante, LAWRENCE HAYES & Co.

The difficulties were many ; but such men as DE BOURBEL and GRAHAM delight in surmounting difficulties where wealth is to be achieved. One necessity was a continental banker to aid them with his experience ; another and less difficult one was the want of a circular letter of credit, on which the imitative capacity of CUNNINGHAM GRAHAM might exercise itself. ALLAN GEORGE BOGLE, a native of Glasgow, son of a West India merchant, Lieutenant in the Royal Navy, and GRAHAM's son-in-law, was stated to be chosen by the conspirators to aid them in their bad design. He first obtained a situation as clerk to a banker at Florence, through his father-in-law's interest, and then contrived to enter into partnership with Mr. KERRICH & McCARTHY, one of whom had commercial connections of the very highest credit, which produced a profitable business to the new firm of BOGLE, KERRICH & Co.

The intimacy of DE BOURBEL and GRAHAM increased, and the tracing room of the latter was chosen by them for their many conferences. Here, by means of a machine ostensibly employed in tracing pictures, they employed themselves in imitating signatures, until they arrived at the most unerring accuracy and verisimilitude.

The commercial connections of BOGLE, KERRICH and Co. were, in the mean time, rising fast into the highest credit. In March, 1839, a great move was made in the plot by the introduction of the Marquis DE BOURBEL as a constituent to BOGLE, KERRICH and Co. ; and the next step was a visit of DE BOURBEL to London, to accelerate those branches of the scheme which could not be forwarded out of the great English capital. No sooner had the Marquis found himself in England than he discovered a valuable assistant in the person of an old friend, the Baron D'ARJUZON,

a son of a peer of France, who was president of the college of the electoral department of the Eure, and had been first chamberlain of HORTENSE, wife of LOUIS BONAPARTE. The vicissitudes of a gambler's life were a fitting introduction to the risks of the forger; and D'ARJUZON readily joined the designs of his comrade.

The first object was to procure the kind of paper used by GLYN and Co. in their circular; an operation necessarily of great difficulty, but one in which they were successful. The next was to get the letter of credit engraved, previous to which it was requisite to procure one from the banker whose paper was to be imitated, and whose signature was to be forged. In the month of January, 1840, an application was made to them for a letter of credit. The transaction was regular, the money was paid, the document handed over, and the work of iniquity proceeded with expedition. The master mind of DE BOURBEL was in a congenial element. One engraver was employed for the copper-plates; the seal of the instrument was engraven, and copies struck off at the apartments of DE BOURBEL, which were then forwarded to Florence, to CUNNINGHAM GRAHAM, who added, by means of his tracing machine, the names of GLYN, HALIFAX, MILLS and Co. All was now ready for the perpetration of that plot, the discovery of which interested every great commercial house in Europe. Other assistants were procured to the number of six, amongst whom were the son of CUNNINGHAM GRAHAM, and MARIE ROSALIE D'ARJUZON, who was to travel under the title of the Countess of Vandec, with one who called himself the Count de PAINDRY, but whose title is nowhere to be found among those of the aristocratic families of France.

The 19th of April, 1840, was the day chosen for a simultaneous presentation of the forged letters. The bankers of Italy, Belgium, and the towns on the Rhine, were chosen as the chief victims. America, India, Algiers, or Egypt, was to be the *rendezvous* when the robberies were effected. The chief conspirators were in high spirits. The elder GRAHAM declared, in some intercepted correspondence, "that the letters were perfection, and that it would be impossible to refuse them." DE BOURBEL wrote to GRAHAM, the younger, to be of good courage, to act vigorously, that all was right; "and a proof that all is right is, that BOGLE lets him come and embark in the affair. BOGLE and your papa are convinced that all will turn out well, and that the letters of credit must be paid."

After an interview of DE BOURBEL with BOGLE on the 21st of April, in a private room, which lasted upwards of two hours, the Count de PAINDRY commenced his operations by presenting a letter of credit to Messrs. BOGLE, KERRICH and Co.; and received upon it the sum of £200. The confederation by this time had opened the campaign in various parts of Europe. At Genoa, Messrs. GIBBS and Co. paid £1,500 on the faith of the letter. At Turin, £600 was obtained from NIGRA and SON. At Milan, £800 were procured from PASTEUR GIROD and Co.; and on the following day the same amount was procured from LOUIS LAURENT and Co. Rome next witnessed the pollution of their presence. £200 were procured from M. LE MESURIER, and the next day £1,300 more were demanded. So large a sum made the cautious Italian hesitate. It was the first time he had honored any letter of GLYN and Co. PIPE, one of the

subordinate agents affected great indignation. His father had sent him out to purchase pictures on commission, and should the money not be immediately paid, he should forthwith replace what he had received, return to England, and cause his father to enter an action against Messrs. GLYN for damages. The high tone of this man, a consultation with the English consul and another gentleman, together with a full consideration of the circumstances, unfortunately, procured the payment of the money.

Florence witnessed a curious scene in this romantic drama. It has been related that the Count de PAINDRY had procured £200 from BOGLE, KERRICH & Co. On the following day, on the arrival of Mr. KERRICH, he found the count in earnest conversation with his other partners. A shopkeeper of the name of PHILLIPSON had doubted the authenticity of the letter, and the high-minded count could not think of retaining the money, lest it might possibly injure a reputation so unsullied as his own. "At first," he said, "I determined to pass this over; but, on reflection, it is a matter which touches my honor; and rather than have my name brought in question, I have resolved to return your money, and request you will write to your correspondents and re-assure yourselves in the matter."

It may be easily imagined that, however Messrs. KERRICH and MACARTHY, the partners of BOGLE, might applaud so honest an action, it was not without its reward to the accomplished count. An entry was made in the letter as follows: "The above payment cancelled by desire of the bearer. BOGLE, KERRICH & Co.;" and this would tend to convince other houses of the correctness of any transactions he might have with them. From Florence he sought Bologna, where he procured £347 from Messrs. LANDI & RONCADELLI; and at Venice a further sum of £40 from DUBOIS BROTHERS. At Trieste, Messrs. ROUTH paid him £1,612 6s.; and one of the partners was so struck with the count's pleasing manner, that he invited him to his opera-box in the evening, and allowed him to accompany him home to his private residence.

Affairs were progressing equally favorably on the Rhine. The Countess VANDEC, in order to support her rank, traveled in her private carriage with a courier. At Coblenz she obtained £500 from DEINHARD & JORDAN, and from GOGEL, KOCK & Co. £520. At Mentz she procured £500 from HUMAN & MAPPES FILS, and, satisfied with her success, proceeded to Paris. At Liege, D'ARJUZON and a confederate obtained £100; and at Brussels £750 from ENGLER & Co. Ghent was assailed by them on the 23d; but Messrs. MEULEMEESTER & SON refused to honor the letter, on the ground of not having received advice from GLYN & Co. On the same day, the letter of credit presented to ENGLER & Co. was presented to M. AGIE, at Antwerp. This gentleman, surprised at a further advance being so soon required, refused to honor the letter, on the ground of want of advice. The truth was that M. AGIE suspected a fraud. He intimated these suspicions to M. ENGLER, who immediately communicated with the police; and IRELAND (one of the subordinate agents) was apprehended on the 25th of April, on board the Ostend steamer, bound to London.

The news passed into the Brussels journals; from thence to GALIGNAN's Paris papers; and before the ramifications of the conspiracy could

be discovered, different parts of the world received the actors in the plot. The names of DE BOURBEL and GRAHAM were implicated. Mr. KERRICH was startled by the receipt of some documents from her majesty's envoy at Florence, in which the name of BOGLE was seriously compromised. The distress of mind of the latter appears to have been great; and, after some agitated interviews with his partners, he declared his determination of retiring from the firm, a letter to this effect being drawn up by Mr. MACARTHY.

The first intelligence in England of this fraud was received by "*The Times*" newspaper, in which a letter was published wherein Mr. BOGLE's name was introduced as one of the fraudulent parties. The letter stated "that a great forgery company, established on the continent, had lately been detected and blown up; and that the object of the company was to plunder the continental bankers by means of forged letters of credit, purporting to be of the banking firm of GLYN, MILLS & Co., of London." The letter then gave the names of the conspirators, and among others included that of BOGLE, who immediately commenced an action against the proprietors of "*The Times*" newspaper, as he was unable to support the idea of his name and character being questioned. The behavior of the conductors of "*The Times*" was worthy of their high reputation. Disregarding expense, they sent Mr. DOBIE, their solicitor, and Mr. KIRWAN, a barrister, to the continent; there, after an anxious search and harassing difficulties, a body of evidence was obtained from which the above circumstances have been collected, and which, perhaps, have never been surpassed in the annals of jurisprudence.

The character of the plaintiff was estimated at one farthing by the jury, which was the amount of damages granted by them. The judge refused to certify; and the expenses of Mr. BOGLE, therefore, were paid out of his own purse. The testimony paid to the proprietors of "*The Times*" was worthy the vigorous and honorable course of that paper; nor is it possible to praise too highly the promptitude which published the account, the boldness which printed names at a risk so great, or the skill that collected the evidence which justified its conduct in the eyes of all Europe. The following will give some idea of the fate of the various conspirators:

DE BOURBEL retreated to Spain; but is supposed to have been in London at the time of the trial, and to have supplied BOGLE with cash, and what would be more valuable, with the counsel of his crafty brain.

The Count DE PAINDRY was overtaken in Moldavia, and compelled to disgorge some of his plunder; was delivered over by the police of Constantinople, and sent to Genoa, and thence to Aix, where the court declared its incompetency to take cognizance of the affair, and he was dismissed. ALEXANDER GRAHAM died at a *maison de sante*, in great want and misery.

GRAHAM the elder, D'ARJUZON, his mistress, and PIPE, do not appear to have suffered any molestation on account of their share in the transaction, other than that they were compelled to decamp very suddenly; so that the only party punished in connection with a fraud of unexampled magnitude, laid with consummate skill, and put into execution with boldness that ensured its success, was the journal which put the commercial

men of all Europe on their guard, broke up the confederacy,* and prevented the loss of thousands. The expenses of "The Times" are known to have amounted to many thousand pounds.

"The bold and manly conduct of 'The Times,' in publishing the original account of the confederacy, the resolution with which they stood the attack, as well by pleading justification instead of an evasive plea, as the enormous expense they went to to support the plea, and the important consequences resulting from the whole proceeding, did not escape the observation of the merchants and bankers, and was greatly appreciated by them. A committee was formed; subscriptions poured in from every quarter; the corporation of the city, the companies, the incorporated bodies of every kind, merchants, bankers and tradesmen, and even private parties, hastened to forward very handsome contributions. Nor were the leading merchants and bankers of the continent at all backward; they, indeed, were the parties chiefly aimed at, and they came forward very handsomely, so that in the course of a few months the subscription amounted to £2,700.

"The proprietors of 'The Times' now added another honor to those they had already gained, for, declining any of the customary forms in which tributes of this nature are usually embodied, they requested that some mode should be chosen by which, at once, the memory of the occasion might be perpetuated, and the community benefited; and it was finally decided, that, with the exception of the expenditure of a trifling sum in tablets, with suitable inscriptions, one to be placed in the Royal Exchange, and the other in a conspicuous part of 'The Times' printing establishment, the whole of this sum should be appropriated to the foundation of two scholarships, to be given to youths elected from CHRIST'S Hospital and the city of London school, to the universities of Cambridge or Oxford."

* The forgery of bank notes has been lessened of late years by means of greater skill in engraving, and a better quality of paper. The *Edinburgh Review*, on this question, said: "It must not be forgotten that an improvement in bank paper, far short of what could be accepted as a substitute for cash payments, would be an object of the utmost public importance. When that paper is restored to its original character, and once more rendered secure against the evil of excessive issue, it will still be liable to attacks from the other evil of forgery, which has arisen and become formidable during the fatal period when payments were not made in money. The former mischief may be immediately removed, but the effects of the latter must continue, in some degree, for some time. When we return to our ancient system, we ought to return to that part of it which consisted in the prohibition of the issue of notes under five pounds. The great body of forgeries consists in notes of one pound. In the last year they were about thirty thousand. But the crime created by these small notes has spread to the larger, which, when they circulated alone, can scarcely be said to have been forged at all. Five hundred forged notes, of ten pounds and upwards, appear to have been detected in the last year by the bank. How many more never reached them we cannot conjecture; they were, probably, numerous; though we should be inclined to make a large deduction from the estimate of a respectable member of Parliament, who said, that half the Bank of England notes circulated in the three northern counties were forgeries. After the resumption, indeed, of cash payments, forgery of the large notes will be immediately limited by the skill and leisure of the class among whom they circulate, and by the facility of refusing paper when there is a power of procuring money.

CHAPTER XXIV.

THE INCOME TAX—ITS PAYMENT ON ANNUITIES—THE BANK CHARTER ACT OF 1844—ITS PROVISIONS—SPEECH OF SIR ROBERT PEEL—JONES LLOYD—THE COUNTRY BANKERS—PETITION OF THE LONDON BANKERS—ITS RESULT—NEW ARRANGEMENTS—WILL FORGERIES.

THE advent of Sir ROBERT PEEL to power, in 1842, was a circumstance of some importance to the Bank of England. The powerful majority by which he was supported rendered it almost undoubted that he would maintain the position in which he had been placed by the country, when the expiration of the first ten years allowed by the charter for the continuance of the privileges of the corporation should arrive; and it was almost equally certain that he would modify the principles on which it had hitherto being founded, according to his own views of the necessities of the monetary world. The position of the country at this period was very critical. A feeling of discontent was prevalent among the agrarian and manufacturing population. An empty treasury, a failing revenue and a dissatisfied people were sufficient to render the government of the nation a difficult task. But the prospect of our foreign relations was by no means cheering. The Chinese question was unsettled. We were waging an expensive but ineffective war with an empire which reckoned its people by myriads. In the East we saw the power, which had been won by a CLIVE, supported by a HASTINGS, and consolidated by a WELLESLEY, jeopardized in a manner which roused the sympathy of the whole nation. The integrity of the Turkish empire was supported against the capacity of one of the great men of the day, and against the inclination of France, the government of which maintained an armed and haughty neutrality, while her people were prepared to spring with the fierceness of their nature on the enemy they denounced. The streets of Paris saw groups of men, with earnest and threatening gesture, clamoring against the perfidy of England; and the voice of the press spread the contagion throughout her provinces. America advanced claims which the dignity of Great Britain rejected.

These things were ominous, and required a practiced skill to grapple with them. The danger, however, passed away. India was preserved, and China yielded up her undignified isolation. From the Chinese expedition came a treasure, which, for the first time in the history of the Bank of England, placed within its keeping a metal, which, under the name of Sycee silver, had never before been within her vaults; and which was an object of almost universal interest.

The pride of France was soothed by time. The breach with America was healed through the agency of an ASHBURTON; and by the imposition of an income tax the finances were restored to a healthy condition. The labor of the officers of the bank was greatly increased by the deduction of the property-tax from more than half a million of dividends belonging to the public creditor, and the interests of the corporation were yet more

deeply involved in this tax, as it opened the question with regard to the justice of paying the charge upon terminable annuities. In many instances these annuities would expire in a very few years; and in the case of the bank, which possessed the dead weight and other annuities, entered into without any idea of such a tax, it appeared to the proprietors a very objectionable impost. It was argued by these gentlemen, at a meeting of the court, that it would not be equitable to compel them to pay the income tax* on annuities, as it would be in reality paying on the capital. A motion was carried requesting the governor and directors to memorialize the government on the question; but the attempt was vain, as it was determined that no difference should be made between the dividend of the fundholder and the payment of the annuitant.

In 1844 a reduction was made in the whole of the funds which bore an interest of three and a half per cent. Money had been abundant; †

* There is no way of ascertaining the incomes of individuals except by an actual inquiry into their private concerns, *which is an intolerable grievance*, or by fixing it according to certain general rules, which, applying but very imperfectly to the complex concerns of society, must comprehend innumerable exceptions, and consequently innumerable cases of *the grossest inequality and oppression*. It is in this way, accordingly, that agriculture is oppressed by the property-tax. The income of the farmer is in all cases estimated to be exactly equal to one-half his rent. No allowance is made for adverse seasons, unskilful management, fluctuating prices, or for the various other casualties incident to agricultural concerns; and no inquiry is made into the actual circumstances of any farmer. The same rigid rule is indiscriminately applied, and the same rate of contribution exacted, even though there should be no income; and it is under this monstrous injustice that both the landed proprietors and their tenants are at present suffering.—*Edinburgh Review*, Feb., 1826, pp. 146, 147.

The income tax, notwithstanding these objections, was adopted by the House of Commons in the year 1799; the loan of that year being, for Great Britain and Ireland, £18,500,000, besides £3,000,000 of exchequer bills. But in comparing the amount of the loans which would have been necessary if this system of increasing the supplies raised within the year had not been adopted, with that actually contracted under the new system, it was satisfactorily shown by Mr. PITT that no less than £120,000,000 would ultimately be saved to the nation by the more manly policy, when the interest which was avoided was taken into account—a striking proof of the extraordinary difference to the ultimate resources of a country, which arises from raising the supplies within the year, and providing them, in great part, by the funding system.—ALISON'S *Europe*, vol. 2, p. 400.

† The reviving prosperity of the country, in consequence of the cessation of the import of grain, and increased issue of notes in 1843 and 1844, had so raised the price of stocks as enabled the chancellor of the exchequer to bring forward a bill, in March, 1844, for the further reduction of the whole public funds, excepting the three per cents. The three and a half per cents, which composed £250,000,000 out of the £760,000,000, which formed the public debt, had stood, in the beginning of the year, at 102½, and of course a fair opportunity was presented of paying them off at par. Mr. GOULBURN was not slow in taking advantage of this auspicious state of things; and he brought forward, on 8th March, a proposal for the conversion of the three and a half into, first, three and a quarter, and ultimately three per cents. The first reduction was to take place immediately, the last in ten years. By this means he calculated that he could effect a saving at once of £625,000 a year, and in 1854 of £1,250,000. As this reduction was accompanied with an offer to pay off the dissentients at par, it involved no breach whatever of the public faith, and was received in the most favorable manner by both sides of the house, and the public generally. The result fully justified the chancellor's expectations, for the debt held by the dissentients was a perfect trifle, only £200,000, and was immediately

the three per cent. consols were above 100; and there could not be a more favorable period for the operation. The idea had long been prevalent that the dividends upon this stock would be reduced; and those proprietors who lived upon their interest evinced great anxiety when it was known that the alteration was decided on. The proposition, however, was one which met with much favor. Instead of an immediate reduction to three per cent., it was announced that for the first ten years the three and a half per cents would be lowered to three and a quarter, and after that to three per cent.; at the same time they were guaranteed against any further alteration for the succeeding twenty years. The dividends of the greatest portion of the stock had hitherto been paid in January and July, but they were, from this period, receivable in April and October. Three months' dividend was paid to all the holders of the new three and a quarter per cents, and this arrangement possessed the advantage of equalizing the half-yearly amount of interest paid to the national creditor. The operation was altogether very successful, and met with great approval from those who were considered most capable of judging of its merits.

The history of the last bank charter act has now to be detailed. It is a history fraught with interest, no less from its importance than from the strange misunderstanding which arose during its progress. For some time previous great speculation existed as to the character of the act; and the future policy of Sir ROBERT PEEL was looked forward to with considerable earnestness. The question of the circulation was widely discussed; but a perusal of the numerous pamphlets appeared to render it impossible to reconcile the contending opinions which obtained. It was a fortunate circumstance for the corporation that those upon whom the management of the detail devolved were successful in obtaining the confidence and esteem of Sir ROBERT PEEL. They had a most difficult task to perform. They had to reconcile the rights of the proprietors with the public interest. They had firmly to resist a strong pressure from without; and they had to accommodate their views to those principles by which it was resolved to frame the charter. Their correspondence proves that they did not, by servilely yielding at once, sacrifice the rights of the proprietors, but where they were compelled to give way, they did so from the conviction that resistance was useless.

The few words of Sir ROBERT PEEL are sufficient evidence; he said, "I must, in justice to the gentlemen who conducted the negotiation on the part of the bank, declare that I never saw men influenced by more disinterested or more public-spirited motives than they have evinced throughout our communications with them. They have reconciled their

paid off. The success of this measure, whereby the old £5 and £4 per cents were at length, as in October, 1854, reduced to three per cent., afforded the clearest demonstration of the erroneous principle on which Mr. PITT originally proceeded in borrowing so large a proportion of the public debt in the three per cents, instead of the five or four per cents; for if the latter system had been universally adopted, the saving effected on the interest of the public debt, which, at this time, was £760,000,000, in round numbers, would have been, between 1815 and 1854, no less than two-fifths of the entire interest, or above £100,000,000 a year.—ALISON'S *Annual Register*, 1844, pp. 153, 155; *Parl. Deb.* vol. 73, pp. 361, 385.

duties as managers of a great institution, bound to consult the interests of the proprietors, with enlightened and comprehensive views of the public interests." On a subsequent occasion, Sir CHARLES WOOD remarked, and the opinion is valuable as the expression of an opposite political faith, "I will only say, that the more we inquired into the conduct of the directors in the management of the bank affairs, the more I was convinced of the injustice of the greater part of the charges which had been made against them; I was convinced that whatever they did, they did in the belief that it was for the best, for the public interest; and above all, I believe that they have not been swayed by any considerations of their mere private interests."

The question of the renewal was opened by a letter addressed to the governor and deputy-governor by the right honorable HENRY GOULBURN, then chancellor of the exchequer, proposing certain alterations in the act, and entering very minutely into the question. To the suggestion since carried into effect, that a publication of the affairs of the corporation should be made weekly, although the reply of the bank authorities offered no objection, they intimated a doubt whether the publication of the banking accounts could be considered essential; and to the proposal to remove the prohibition then in force, as to drawing, accepting or paying bills within the sixty-five mile circle round London, they alluded in the remark that the bank might incur some loss in its banking department; and in the more serious objection, that if such power should be exercised for the purpose of circulation, it might interfere with the great object of the projected measures. It will be seen that Sir ROBERT PEEL made an emphatic declaration concerning this remonstrance. The fear thus expressed was fulfilled by the result. Many such attempts were made to establish a spurious and illegal circulation. They were, however, quickly exposed; exposure produced failure; and they are only worth mentioning as a short-sighted policy, which met with the fate it merited.

The reply of the bank was considered satisfactory by the ministry, who refused to hold out any prospect of an abatement of the terms which the bank were to pay for their advantages, and the correspondence concluded with the acceptance of the conditions of Mr. GOULBURN. These letters afford an additional proof that the government had no intention of allowing the bank to increase its circulation above fourteen millions. The following is a copy of the "Resolutions to be proposed in committee on the Bank of England charter acts, on Monday, the 20th of May, 1844," which were appended to the letters of the contracting parties:

1. "That it is expedient to continue to the Bank of England certain privileges, subject to certain conditions.
2. "That the Bank of England should henceforth be divided into two separate departments; one confined to the issue and circulation of notes, the other to the banking business.
3. "That it is expedient to limit the amount of securities upon which it shall be lawful for the bank to issue notes, payable on demand, and that such amount shall only be increased under certain conditions to be prescribed by law.

4. "That a weekly publication shall be made of the circulation and the banking departments of the Bank of England.
5. "That it is expedient to repeal the law which subjects the notes of the bank to stamp duty.
6. "That the rate of payment by the bank shall be £180,000 per annum.
7. "That, in the event of any increase of securities, as aforesaid, a further annual payment shall be made by the bank equal in amount to the net profit derived from such additional securities.
8. "That it is expedient to prohibit the issue of notes, payable on demand, by any bank not now issuing notes, or by any bank hereafter to be established.
9. "That it is expedient to provide that such banks, in England and Wales, as now issue notes, payable on demand, shall continue to issue them, subject to such conditions as may be provided for.
10. "That it is expedient to provide, by law, for the weekly publication of the amount of notes payable on demand.
11. "That it is expedient to make provision, by law, with regard to joint-stock banking companies."

The principles of the bill did not meet with much admiration among the country bankers, who, naturally enough, looked upon the system which yielded them large profits as a very excellent system, and thought all interference not only unpleasant but unnecessary. The memorials which they presented to government met with attention; and where it was shown that an alteration would be an improvement, it was readily adopted.

The speech of Sir ROBERT PEELE, on the evening of the 6th of May, 1844, will well repay perusal. The subject was one to which his mind had long been devoted. From the year 1819, when that bill, which is indelibly associated with his name, received the assent of the legislature, up to the period when the renewal of the bank charter act occupied the attention of the house, the name of this gentleman is to be found in all those debates which affected the welfare of the Bank of England. The opening of his oration evinced his sense of the importance of the movement. "There is no contract, public or private; no engagement, national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements made in all the domestic relations of society, the wages of labor, pecuniary transactions of the highest amount and the lowest, the payment of the national debt, the provision for the national expenditure, the command which the coin of the lowest denomination has over the necessaries of life, are all affected by the decision to which we may come."

On the 17th of April, 1844, the committee of country bankers held a meeting, and passed several resolutions indicative of their alarm that Sir ROBERT PEELE would propose certain alterations in the local circulation; and calling on all their brethren to co-operate with them in a strenuous opposition. Their reasons for this mode of action were, that government had refused to declare its views prior to mooted the question in Parliament; and as the weakest fortress makes the greatest show of resistance,

so they endeavored to guard themselves in that part where attack was most to be expected, and most dangerous.

Their resolutions were alluded to in the speech of the right honorable gentleman, who expressed his conviction that their own assertions were sufficient to condemn their cause, with his hope that no member of the senate would respond to an appeal which demanded him to come into that house pledged to a specific course of action, as though no statement and no argument could add to his knowledge, or throw any light upon the intricate subject.

The following is a digest of the clauses of the new bill :

1. That from and after the 31st of August, 1844, the issue of notes payable on demand shall be kept distinct from the banking business, and that it shall be conducted in a separate department, to be called "The issue department of the Bank of England."

2. That on the 31st of August, 1844, the bank shall transfer to the issue department securities to the value of fourteen millions, the debt due by the public to be deemed part ; that the banking shall transfer to the issue department all the gold coin and gold and silver bullion not required ; that the issue department shall deliver to the banking department such an amount of notes as, with those in circulation, shall equal the securities, coin, and bullion transferred to the issue department. That the bank may not increase, but may diminish the amount, and again increase it to any sum not exceeding fourteen millions.

3. That the bank may not retain in their issue department at one time more silver than one-fourth of the gold coin and bullion held at the time.

4. That the notes of the bank shall always be payable in gold on demand, at the rate of £3 17s. 9d. per ounce.

5. That, if any country banker shall cease to issue his own paper, the Bank of England may issue additional notes to the amount of two-thirds of the authorized issue of the said banker.

6. That a weekly report of the accounts of the issue and banking departments be published in the "*London Gazette*."

7. That the notes of the bank shall be freed from the payment of stamp duties.

8. That £180,000 per annum shall be deducted from the charge made for the management of the national debt.

9. That if (under provision 5) the circulation of the bank shall be increased, the net profit of such circulation shall also be deducted from the above charge.

10. That no other banks of issue be allowed than those in existence on the 6th of May, 1844.

11. That after the passing of this act no banker may issue, in England and Wales, any bill of exchange or promissory note on demand, excepting such bankers as were in existence on the 6th of May, 1844, who shall only continue to issue them under the conditions hereinafter mentioned. That the right to issue notes shall not be compromised by the admission or retirement of any partners. That no company now consisting of six, or less than six partners, shall, if they exceed that number, be allowed to issue notes.

12. That if any banker shall become bankrupt, or shall cease to issue notes, he shall not resume the issue.

13. That the average amount of the twelve weeks' circulation prior to the 27th of April, 1844, shall be taken of those bankers who issue notes, and they may continue to issue them, provided they shall not, on four weeks' average, circulate more than the average previously taken.

14. That if two or more banks become united, the same principles shall apply to their issue.

15. That the average circulation of the country bankers, the twelve weeks prior to the 27th of April, 1844, shall be published in the "*London Gazette*," and this *Gazette* shall be received as evidence of their circulation allowed to such banker.

16. That if two or more banks unite, the same principle shall be applicable to them; but it shall not be lawful for them to issue notes when the partners exceed six.

17. That if any country banker exceed his authorized amount, he shall forfeit a sum equal to the sum issued in excess.

18. That a weekly account shall be sent by every banker issuing notes, on and after the 19th of October, 1844, to the commissioners of stamps and taxes, of the amount in circulation each day of the week; and also an average amount of the said weekly circulation; and on the expiration of every four weeks, the average amount of the said notes, with the amount authorized, shall accompany the weekly account. The weekly average to be published in the "*London Gazette*." Any banker rendering a false account to forfeit for each offence £100.

19. That the average amount of the issue of each banker is not to exceed that certified by the commissioners of stamps and taxes.

20. That the said commissioners shall have full power to examine all books, at all seasonable times, of such bankers as issue notes, and to take copies or extracts from any such book or accounts.

21. Each banker to return his name, residence and occupation, or in the case of a partnership or company, the name, residence and occupation of every person; a copy of such return to be published.

22. Each banker to take out a separate license for every place at which he may issue notes or bills. Any banker having such license in force on the 6th of May, 1844, for issuing notes at more than four separate places, shall not be called on to exceed his licenses for continuing such issue in the places specified.

23. That on and after the 31st of December, 1844, the bank shall pay to certain bankers, agreeing to issue their notes, one per cent. on the amount circulated.

24. That similar arrangements may be formed with other banks of issue, provided the composition be deducted from the amount payable by the governor and company to the public.

25. That all the compositions payable to the several banks which have ceased to issue their own notes under the usual agreement with the governor and company, shall cease on the 1st of August, 1856.

26. That any company of bankers, though exceeding six in number, carrying on the business of banking in London, or within sixty-five

miles, may draw, accept or endorse bills of exchange, not payable on demand.

27. That all previous privileges, except such as are abolished by the act, shall remain in force, subject to redemption at any time, upon twelve months' notice being given, after the 1st of August, 1855, and on repayment of all debts due from the public.

The last was an unusual feature; as, if the existing government in 1855 omitted to give notice of an alteration in the charter, it was at their option to do so in the following year, or at any succeeding period which might appear to render it advisable to suspend or alter the privileges of the corporation.

It was considered by some that the privileges granted to the country banks, by which they might draw bills within the sixty-five mile limit at less than six months' date, might give rise to a paper currency, differing in form, but not in principle, from promissory notes. "But," said the framer of the charter, very emphatically, "I give public notice that if the power should be abused, if it should be attempted to circulate small bills so accepted, within the limits reserved to the bank, I shall not hesitate to appeal to Parliament on the instant, for the purpose of correcting the evil." A court of proprietors met to discuss the alterations, and the letters which had passed between the chancellor and the governor and deputy-governor were read. The court was adjourned for a few days, and the proposals agreed to at the ensuing meeting with only three dissentients.

The two great elements of this act were, that the bank might issue £11,000,000 on the security of the debt due from the public, with £3,000,000 on exchequer bills and other securities; and that every note issued beyond that sum must have its representative in an equal amount of bullion. The measure, as at first proposed, met with a few modifications; but the great principles of the bill, which not only restricted the issues of the Bank of England, but those of the country banks also, remained unaltered. The objections to the representatives of this class were strong; but no objections that they could make were equal to the facts which were developed in one of the speeches of the right honorable baronet. A simple announcement of the failures of bankers destroyed all their assumptions; and every argument grew weak in comparison with the statement that from 1839 to 1843, there had been eighty-three bankruptcies, of which twenty-nine were banks of issue; that of these, forty-six had paid no dividend, twelve had paid less than 5s. in the pound, twelve had been under 10s., three less than 15s., two under 20s.; the results not yet being known of seven; that some, though insolvent when they died, had left large amounts to their relatives; that others had embarked in wild speculations, to the ruin of themselves and their clients, and that the only assets of another were race-horses.

Allusion has been made to an incident of great interest which arose during the proceeding. When the bill was first introduced, a general impression was prevalent that the government had reserved a right to itself to increase the amount of circulation on securities, above the fourteen millions to which it is ordinarily limited. When, therefore, the bill was

printed, and it was seen that none of the enactments were to this purpose, those members of the monetary classes who were in favor of large issues took the alarm, and at a meeting of the banking interest, a letter was framed, calling on Sir ROBERT PEELE to abide by his word; and after some difficulties and dissensions which are not worth detail, a letter was sent on the 13th of June to the right honorable baronet, stating that on the first announcement of the new bill, it was proposed, that in the event of any particular crisis, a power should be reserved, with the consent of the government, of extending the issues of the Bank of England beyond fourteen millions, and submitting that the absolute limitation of the issue to this amount would create a feeling of uneasiness throughout the country. This letter was signed by the following firms :

ROBARTS, CURTIS & Co.,	SPOONER, ATTWOOD & Co.,	SAPTE, BANBURY & Co.,
HANBURY, TAYLOR & LLOYD,	CURRIE & Co.,	WESTON & Co.,
BOSANQUET, FRANKS & Co.,	GLYN, HALIFAX & Co.,	TWININGS & Co.,
BROWN, JANSON & Co.,	WILLIAMS & Co.,	DIXON & Co.,
BARCLAY, BEVAN & Co.,	FULLERS & Co.,	COUTTS & Co.,
HANKEY & Co.,	BARNARD, DIMSDALE & Co.,	HERRIES & Co.,
SMITH, PAYNE & SMITHS,	BARNETT, HOARES & Co.,	RANSOM & Co.,
WILLIS, PERCIVAL & Co.,	LUBBOCK, FORSTER & Co.,	STRAHAN & Co.,
MASTERMAN, PETERS & Co.,	STEVENSON, SALT & SONS,	SCOTT & Co.,
ROGERS, OLDING & Co.,	PRICE, MARRYAT & Co.,	COCKBURN & Co.

The reply was to the effect that he would refuse any further extension than that already provided for by the fifth clause, and denied that his speech on the first introduction of the matter justified the opinion entertained by the applicants.

It seems difficult to account for the view taken by these and other gentlemen that Sir ROBERT PEELE originally intended to allow the bank to increase its issues in the event of any great monetary crises. The whole tenor of the bill proved that this would have been incompatible with its principles. That the idea was very prevalent there can be no doubt. Mr. DAVID SALOMONS asked the governor of the bank, at the meeting of the court, "Has the bank the power, with the consent of government, to increase its issue?" The answer was "Yes; with the consent of the first lord of the treasury, the chancellor of the exchequer and the master of the mint." This, at first sight, may appear to support the opinion of the bankers; but it is strictly true, and it is most probable that the governor referred in his reply to the increased issue liable to a change in the circulation of the country banks. Mr., now Sir CHARLES WOOD, in a speech which charmed by its elegance, while it delighted by its depth, stated that it was one of his most important objections to the charter; and a great portion of the monetary world began, through the mere force of reiteration, to believe that the premier made a wilful alteration in his bill, while, during a late financial crisis, in the memorable petition of the bankers, that interest again acted on this belief.

The English language could scarcely be more explicit than the passage by which the great architect of the bank charter has been judged. It is now given, that the evidence may be fairly weighed.

"I have said that the bank shall be restricted from issuing notes upon securities to any greater extent than fourteen millions. This restriction

applies, however, to ordinary circumstances, and the present state of the affairs of the bank. The case may occur in which it would be reasonable, and, indeed, might be necessary, that there should be an increase of the issues of the bank upon securities. Supposing the country circulation to amount to eight millions, and of this amount two millions to be withdrawn, either in consequence of the failure of banks, or in consequence of agreements with the Bank of England to issue Bank of England paper; in that case, in order to supply the void, it may be necessary that the bank should make an increased issue. A part of this issue may fairly be made upon securities. Our proposal is, that the profit to be derived from such an issue shall be placed to the account of the government, and that no increased issue upon securities shall take place without a communication from the bank to government, and without the express sanction of three members of government—the first lord of the treasury, the chancellor of the exchequer, and the president of the board of trade. We do not contemplate, and do not intend to provide for an increased issue upon securities in any other case than that to which I have referred, namely, the supply of a void caused by the withdrawal of some considerable portion of the existing country circulation.” There is scarcely any necessity for comment on this. The mistake must have arisen from some one taking the lead in the assertion; and it must have been continued from the indolence which prevented others from re-perusing the debates. The principle is laid down, the exceptions are named, and then, that there may be no error or misunderstanding on so important a point, those exceptions are reiterated in language which cannot be more definite. “We do not contemplate, and do not intend to provide for an increased issue upon securities in any other case than that to which I have referred, namely, the supply of a void caused by the withdrawal of some considerable portion of the existing circulation.” There is no circumlocution in this, and there can be no doubt to a disinterested party; but “the wish is often father to the thought,” and words are often looked at through colored spectacles, which only require the clear light of day to interpret correctly.

The nature of this charter was approved by Mr. JONES LLOYD. His evidence before the committee of the House of Commons indicated that which he afterwards wrote; that the contraction of the circulation in correspondence with the decrease of the bullion was the only measure which could afford effectual security for stopping the drain of bullion.

“*The Times*” remarked, “the sincerity of Mr. LLOYD’s opinions can admit of no doubt, since they are at variance with his own interest as a banker, as persons are not wanting who accuse him of having betrayed his craft, and of having assisted in handing over the entire banking interest to the government, for the purpose of creating ultimately one great banking monopoly.”

It was the opinion of Mr. LLOYD that to accede to the petition would be virtually to destroy the effect of the measure; others believed that it would have given a dangerous power to government, which might have been turned to all sorts of abuses; and there can be little doubt that it would have been the first step towards a government issue. But whatever the effect, a clear statement of the facts must exonerate Sir ROBERT

PEEL from the opinion of the bankers, that he ever contemplated any other increase of issue than that which might be necessary from the failures or withdrawals of the country banks; and his own language alike proves their error, and is his justification.

On the 3d of September, 1844, the new arrangements, by which the issue was separated from the banking department, came into operation; and on the 6th, an announcement was issued that bills would be discounted at two and a half per cent., and notes at three per cent., such bills and notes not having more than ninety-five days to run. This, which seemed like a declaration that the directors of the bank, as the circulation was no longer under their control, were disposed to enter into competition with the general discount market, caused many comments. It was at the time a prevalent feeling that the accountability of the directors as managers of the circulation was greatly reduced, if not destroyed; but events which have since occurred prove that the public are still disposed to burthen them with the responsibility, disregarding the fact that, to a great extent, they are deprived of both power and profit. In November of the same year, the bank commenced charging a commission on sums remitted to various parts of the country through the agency of the branch banks.

The year 1844 gave additional evidence that there is no security against fraud. A man named JOSHUA FLETCHER induced WILLIAM CHRISTMAS, a clerk in the corporation, to give him information from the private books of the bank. There is no possibility of ascertaining the precise amount of guilt of CHRISTMAS, but it is believed, having once been induced to pass the strict line of duty, that FLETCHER wrought upon his fears of discovery, and extracted from him sufficient information to compass his designs. Forgeries of wills to a large amount were carried on; great sums of money were frequently obtained; and, though the clerk received gratuities in return, it does not appear that he was guilty of a partnership in the fraud. The attorney-general distinctly stated his belief that CHRISTMAS had not a criminal knowledge, but was chargeable only with having given information against the rules of the bank.

About the year 1815, a Mr. SLACK died, and by his will appointed Mr. HULME, partner in the banking-house of JONES, LLOYD & Co., as his executor. Among other duties which arose from this executorship, Mr. HULME transferred £6,600 three per cent. consols, and £3,500 three per cent. reduced, into the name of ANNE SLACK, of Smith-street, Chelsea, daughter of the deceased Mr. SLACK. This lady, justly reposing the most unbounded confidence in the gentleman chosen by her father as his executor, drew upon him for the money she required, without being aware that the £3,500, three per cent. reduced, had been transferred into her name, or that there was any other property due to her than the £6,600 in the three per cent. consols. Mr. HULME acted as her friend and as her banker; and Miss SLACK, happy in his integrity, was at no trouble to inquire into the particulars of her property.

On the death of Mr. HULME, in 1832, this lady resolved to receive her own dividends; and knowing only of the £6,600, demanded the interest on it, still leaving the £3,500 in the possession of the Bank of England, from 1832 to 1842, when the stock, with ten years' dividend, were both

transferred, by the accountant-general, under the act 56 GEORGE III., to the commissioners for the reduction of the national debt. Had it not been for the signal and successful fraud to be related, this money would, in all probability, have been lost to its rightful owner.

The department of the unclaimed stock at the bank was under the management of WILLIAM CHRISTMAS, a clerk in the establishment, who, either weakly or wickedly, gave information of the transfer of this sum by the accountant-general to his friend, JOSHUA FLETCHER, originally in the medical profession, but a man of exceedingly dark and more than doubtful reputation. It immediately became the object of FLETCHER fraudulently to secure this sum, by the surest means and the smallest amount of risk; and after tracing Miss SLACK, with all the craft of crime, from Smith-street, Chelsea, to the house of her brother-in-law, Captain FOSKETT, at Abbott's Langley, he lost no time in applying to Mr. BARBER, of the reputable firm of BARBER & BIRCHAM, attorneys of Bridge-street, Blackfriars, and a correspondence commenced with Captain FOSKETT, in which, in October, 1842, BARBER boasted of private information from the bank, and artfully procured the signature of ANN SLACK, which was handed by FLETCHER to CHRISTMAS, by whom a comparison was made with that lady's signature in the books of the corporation; and on the 4th of June, 1843, BARBER wrote, saying, "As the signatures do not correspond, we have arrived at the conclusion that the identity cannot be supported." It is noticeable that this was in direct opposition to the opinion given by CHRISTMAS, who had stated the writings to be similar, and was, therefore, an evidence that some deception was about to be practiced.

The next step of the attorney was to insert a notice in "*The Times*," advertising for the representative of ANN SLACK, formerly of Chelsea; but this, of course, was ineffectual. It is necessary to follow this affair closely, because it was either a regular business transaction on the part of Mr. BARBER, or these things prove that, under the color of great candor, a most artful fraud was being perpetrated.

The next movement of FLETCHER was to register the name of ANN SLACK, as deceased; and on the 25th of February, 1843, he went to the office and reported her death as having occurred at No. 8 South Terrace, Pimlico. The following step, in this consummate deception, was to execute a false will, to pass it through Doctor's Commons, and to lodge it at the bank. This was successfully done; but this was the immediate cause of discovery.

When the probate of a will is lodged at the bank, the stock specified only is placed at the command of the executors. But should there be any other funds in the name of the deceased party, the word "deceased" is placed against the name; and this prevents any unauthorized person from receiving the interest. By the rules of the bank, also, no more stock can be added to that which is technically termed "a dead account."

When the probate of the will, therefore, was lodged, the word "deceased" was placed against the account on which Miss SLACK personally received the interest, as well as against that which was claimed by the forgers, and thus the fraud was eventually discovered.

Prior to the proceedings enumerated above, it was necessary to provide a fictitious EMMA SLACK to pass as the niece and executrix of ANN SLACK, and this was done in the person of LYDIA SANDERS, who occupied apartments for the occasion in Oxford-street.

The will being forged, the probate lodged, and a representative provided, the great difficulties in the way of procuring the £3,500, with the additional ten years' interest, were surmounted, and the path became comparatively easy. BARBER introduced LYDIA SANDERS to a stock-broker, who, on the faith of the attorney's supposed respectability, and as an every-day occurrence, identified her as EMMA SLACK; and thus, the money being secured, the villainy appeared successful; while, from the nature of the transaction, similar offences might have been frequently perpetrated.

It has been seen that both the accounts of Miss SLACK had the word "deceased" placed against them in the ledgers of the bank. When, therefore, her broker received instructions to purchase a certain amount of stock for her, he was informed, while making the necessary inquiries, that Miss SLACK was dead, and that no more stock could be placed to the account.

The surprise of the broker was great, and he immediately wrote, informing his client of her reported death. The astonishment of this lady was so great that she instantly came to town, and presented herself at the bank, where the matter was fully investigated. On searching the books it was discovered that a will had been lodged, purporting to be signed by ANN SLACK, of Smith-street, and that £3,500, with the accruing dividends of £1,100, had been paid.

The first thing to ascertain was the name of the solicitor employed, and the house of BARBER & BIRCHAM was brought to notice. When Mr. BARBER's name was discovered, Mr. FRESHFIELD called at his office, and told him that the will was a forgery, and that the fact must be reported to the treasury. BARBER replied that the affair was quite regular, and that EMMA SLACK was a most respectable woman. But the bank solicitor drew his attention to the point, that in 1842 he had inquired for the representatives of ANN SLACK, and that he had proved the will of that person as dying in February, 1843. To this remark BARBER gave some hesitating answer, and professed to forget who had introduced EMMA SLACK to him.

From that period BARBER was closely and carefully watched; and little did he suppose that, to whatever part he directed his steps, the acute eye of FORRESTER, the officer, was on him. For three weeks his path was tracked; and yet it is remarkable, that although the visit of Mr. FRESHFIELD must have aroused his alarm, and that a communication with FLETCHER was most natural, he attempted no interview, but went to and from his office as customary; and when it was deemed advisable to apprehend him, and his papers were seized, all the documents connected with this transaction were found among the office papers, endorsed "RE-SLACK," with no attempt at concealment, as if it had been a perfectly legitimate business. The apprehension of BARBER made the name of JOSHUA FLETCHER known to the bank solicitor, as being deeply implicated in this infamous transaction.

When BARBER was first examined he called FLETCHER to prove that he had only acted as his attorney. From the witness-box FLETCHER passed to the officer, and thenceforward took his place as an accomplice.

The next person to find was the party who had represented EMMA SLACK; and after great sagacity on the part of the officers, she was discovered in one LYDIA SANDERS, of Bristol.

Of the money, so fraudulently obtained, £1,000 was received in a note to that amount by LYDIA SANDERS, who publicly displayed it as a curiosity in the shop of her sister, GEORGINA DOREY, also tried as an accomplice. Another note was changed by BARBER & FLETCHER, the former of whom had advanced all the requisite funds, in the shape of probate, legacy duty, stamps, &c., a custom quite common among the profession.

The trial excited peculiar attention. The escape of BARBER, in a former case, had renewed his confidence, and he appeared certain of acquittal. Of the guilt of those parties who stood with him at the same bar, no doubt has ever been entertained. Nor, indeed, when the apposite remark of Mr. FRESHFIELD concerning the date of the forged will, and the date of Mr. BARBER's letters to Captain FOSKETT, are remembered, can a dispassionate mind come to any other conclusion than that WILLIAM HENRY BARBER was a knowing and fraudulent accomplice of JOSHUA FLETCHER, and that the verdict which pronounced him guilty was justified by evidence, both direct and collateral. That there were extraordinary symptoms of an apparent innocence, or that great carelessness was shown, hardly compatible with so important a transaction, there can be no doubt; but the overwhelming fact is recorded against this plausible man, that in 1842 he wrote to Captain FOSKETT, of ANN SLACK as then dead, and that he was a party to the passing of the will of the same ANN SLACK, as having died in 1843.

When their sentence was announced, he earnestly called on FLETCHER to exonerate him. The latter, however, refused; and BARBER entered into a defence, the greatest part of which attempted to prove that he had been deceived by FLETCHER, and that he was entirely innocent. The following formed the conclusion: "If I have been negligent, I have already suffered deeply. I solemnly declare that throughout this business I have acted merely as a solicitor; and, as I expect to answer for this declaration in a future world, again declare that I am innocent, and that I have been deceived by FLETCHER, who had obtained my confidence." There was a considerable difference of opinion at the time in the public mind; the facts connected with the case were closely investigated, the conclusion arrived at by the legal authorities being that BARBER was guilty, and that it would not be proper to commute the punishment awarded in ordinary and less flagrant cases.

In order to obviate any future fraud, various precautionary measures have been used, which render similar instances of deception almost impracticable. It is worthy of remark that the whole of the loss occasioned by the will forgeries was sustained by government.

Prior to 1846, two arrangements, which demand great praise, were entered into. By one, the clerks commenced a mutual guarantee against fraud; and the securities, which had hitherto been necessary, were abol-

ished. By the other, the governor and court of directors allowed to each clerk in the establishment a period of leave every year proportioned to his service. This plan was warmly appreciated by those for whom it was thoughtfully established, and will tend to benefit the health of the clerks, at the same time that it nourishes a desire to return the kindness.

This year the further relaxation in the usury laws,* by which bills not having twelve months to run had been exempted from their operation, was continued until 1850.

* Mr. BUCKLE, in his "History of Civilization," a work of acknowledged ability and originality, says, (p. 205:)

"It would be easy to push the inquiry still further, and to show how legislators, in every attempt they have made to protect some particular interests, and uphold some particular principles, have not only failed, but have brought about results *diametrically opposite* to those which they proposed. We have seen that their laws in favor of industry have injured industry; that their laws in favor of religion have increased hypocrisy; and that their laws to secure truth have increased perjury. Exactly in the same way nearly every country has taken steps to prevent usury and keep down the interest of money; the invariable effect has been to increase usury and raise the interest of money. For since no prohibition, however stringent, can destroy the natural relation between demand and supply, it has followed that when some men want to borrow, and other men want to lend, both parties are sure to find means of evading a law which interferes with their mutual rights. If the two parties were left to adjust their own bargain, undisturbed, the usury would depend on the circumstances of the loan, such as the amount of security and chance of repayment. But this natural arrangement has been complicated by the interference of government. A certain risk being always incurred by those who disobey the law, the usurer, very properly, refuses to lend his money unless he is also compensated for the danger he is in from the penalty hanging over him. This compensation can only be made by the borrower, who is obliged to pay what is in reality a double interest, one interest for the natural risk on the loan, and another *from the extra risk from the law*. Such, then, is the position in which every European legislature has placed itself. By enactments against usury, it has increased what it wished to destroy; it has passed laws which the imperative necessities of men compel them to violate; while, to wind up the whole, the penalty for such *violation falls on the borrowers*; that is, on the very class in whose favor the legislators interfere."

The history of the world, the history of commerce—well-known facts in our own local history—all confirm Mr. BUCKLE'S positions. No more permanent good to our State could be effected than that which would follow a total repeal of the usury laws. But we would be satisfied if such repeal were made to apply to negotiable paper between individuals. As to corporations, that might be left to await the results as to the former.

The law of insurance applies here. Would we restrain the premium on marine or fire risks, in order to protect the property-holder? Certainly not. Is not the premium regulated by the hazard, in insurance as well as in money? Lessen the number of lenders, or lessen the amount of lendable capital, by specific law, and the remainder is, of course, more highly appreciated. The mercantile bill of exchange or promissory note which to-day is negotiable at seven per cent. per annum, may, a few days hence, be *worth*, in the market, nothing under ten or fifteen per cent. Circumstances vary in each man's case, and no law that ever was made, or *ever will be made*, can effectually restrain the contracts between men as to the rate of loans.

CHAPTER XXV.

FORTUNATE DISCOVERY—FORGERY OF BURGESS—ESCAPE TO AMERICA—THE PURSUIT—
ROMANTIC EVENTS—RAILWAY MANIA—ITS PROGRESS AND DEVELOPMENT.

AN ingenious fraud was perpetrated in 1845. Payment for two stolen notes, of £500 each, had been stopped; but, notwithstanding this precaution, both were paid on presentation, one coming in a few days after the other. When the error was discovered, the carelessness which produced it was severely blamed by the authorities; an inquiry was instituted; the clerk was examined; and he could not deny the initials, on the authority of which the notes were paid. Although the directors of the bank are not responsible for stopped notes, they decided that the carelessness which could overlook the stoppage of them for such large sums amounted to culpability, and that the payer must be responsible for the amount. The excellent character of this gentleman, however, together with his general conduct, raised a doubt in the minds of the directors, and they requested Mr. ALFRED SMEE to analyze the ink, and see if it were that generally used in the establishment. This gentleman was fortunately able to prove that the initials on every note passed on the day of payment were written in bank ink, and that the initials of the stolen notes only, were in ink of different ingredients. The signatures were, in truth, forged, and so excellently imitated that it was impossible to distinguish between the true and the false.

Another daring forgery was committed on the corporation in 1844. It was, however, so cleverly arranged, that had not peculiar thought been evinced by a member of the establishment, discovery might have been long eluded, and detection tenfold more difficult. In September, of that year, WILLIAM BURGESS, a clerk employed in assisting the power of attorney office, obtained a brief leave of absence. On the day of its commencement a broker called at the office, requested to see the absentee, and expressed surprise at his being away, as BURGESS had desired him to sell £8,200 from the account of WILLIAM OXFORD. This inquiry occurred on the Tuesday, and on the following Saturday BURGESS should have returned to his duties, or have sent a sufficient excuse for not doing so. He did neither; and under such circumstances an inquiry is always instituted. Before any information could be obtained, however, Mr. JAMES SMITH, of whom the broker had inquired, fancying that his absence might be in connection with the transaction alluded to, investigated the ledger, by which he found that £8,200 had been sold from WILLIAM OXFORD's account; looked to the transfer, and discovered that the absentee had identified the seller; examined the signature of the present sale with an authentic one of WILLIAM OXFORD's, and saw that one bore no resemblance to the other. His suspicions were justified; he informed the proper authorities; Mr. OXFORD denied having sold; and to Mr. JAMES SMITH the credit may be fairly assigned of this early discovery of a forgery which was alike remarkable for a breach of faith and

a consummate contempt for the chances of detection, many of which had been ventured. Mr. OXFORD was known to several clerks of the corporation; the character of BURGESS was not quite unsullied; and the man who personated the fundholder bore no likeness to him. When one of the gentlemen to whom BURGESS applied concerning the sale casually mentioned that he had once known Mr. OXFORD, the remark that "he was an old friend," was the only reply; and in a short time, an accomplice, afterwards ascertained to be JOSEPH ELDER, a horse-dealer, was brought to personate Mr. OXFORD, without any apparent regard for consequences. The receipt was witnessed, the transfer effected, and a check received from the broker, with which they proceeded to the banker, and demanded gold. On being informed that if they wished this, they must apply to the bank, ELDER coolly returned, requested and procured gold to the amount of £8,000; and finding that he was not able to lift it, was assisted by two porters in carrying the proceeds of the robbery to his accomplice, who waited with a cab outside the building. They then proceeded to a public-house in St. Martin's Lane, in which they hired a room, and transferred the gold to a portmanteau.

As there was little doubt that the confederates had gone to America, it was deemed necessary to send FORRESTER, accompanied by some one who could identify BURGESS; and Mr. BORD, a member of the department in which the forgery had been committed, was chosen for the important task. After great difficulty the defrauders were tracked to Liverpool; from Liverpool they were traced to Boston, in America, where FORRESTER and his companion became satisfied that they were on the right path, but that the culprits had proceeded westward. It appears probable that ELDER and BURGESS were ignorant of the international league, known as the ASHBURTON treaty, as, directly they were on the American soil, they began to enjoy themselves; and, after investing their money in the Merchants' Bank, they proceeded to Buffalo, made a tour to the falls of Niagara, paid a flying visit to Canada, returning by a new route to Boston, where BURGESS commenced building a residence, and became noted "for a peculiar partiality for raisins soaked in burning champagne, and other high notions, a taste for which he probably acquired," said the Boston paper very innocently, "while he held the honorable post of clerk in the Bank of England."

From Boston the seekers went to Niagara, imagining but little that at the time of their arrival in Boston the fugitives were both there, and probably in one of the very hotels at which inquiry was made. Their visit westward, therefore, only produced a view of the fine cataract of Niagara. They then returned to Boston, where, by this time, BURGESS and ELDER, who called themselves uncle and nephew, and passed by the name of ELLIS, had attracted a certain degree of notoriety, and had obtained introduction to certain Americans of distinction, who were probably pleased by BURGESS' aristocratic taste for raisins and champagne. Under these circumstances it was soon ascertained that ELDER was residing at a boarding-house, to which Mr. BORD went, accompanied by the police. On being informed that the culprit was out, they requested permission to wait, and in a short time JOSEPH ELDER entered the house, came unsuspectingly up stairs, and was at once pointed out to the officers

as the personator of WILLIAM OXENFORD. He was immediately conveyed to prison; and the next morning it was discovered that he had added to his previous crimes that of suicide.

The apprehension of BURGESS was not quite so easy. From the hotel at Nahant, where he was residing, he must have seen the police approach, as he made his escape through the lower part of the house; and, without a hat; he then went to a Mr. TARBOX, in the neighborhood, made some excuse for his unexpected and hatless appearance, requested him to procure his money and portmanteau from the hotel, and to bring them to him in a neighboring field. The commission was only partially successful, as the officers, while searching every nook and corner of the neighboring rocks, came across Mr. TARBOX with his booty, and compelled him to yield it to the authorities.

Not finding Mr. TARBOX at the place appointed, BURGESS immediately went away, as he probably knew, to use the characteristic phrase of an American paper, that "the hounds of the law were after him." Every arrangement was made to secure his detection in the morning, and the events which marked his temporary escape were remarkable almost to romance. The officers were frequently near him; he fell into a pig-pen; tumbled into the water; sunk into the sand on the beach; was on one side of a large rock, and heard the conversation of the officers as they passed on the other; was at last successful in detaching a boat from the steam wharf, and, after being tossed about on the waves for six hours, throwing away the oars in despair, and yielding up all hopes of escape, succeeded in landing on Light-House Island, where he took refuge in the cottage of an Irishman, who, for 300 dollars, informed the police of his "whereabout." His interview with FORRESTER, when he gave himself up, was characteristic of the same contempt for consequences which marked the beginning and end of the transaction; and when, a short time afterwards, he was brought to England, and tried for his unprincipled breach of trust, his self-possession could scarcely be said to have forsaken him.

The greater part of the money, upwards of £7,000, was obtained from various sources. Mr. BORD and his companion had evinced great tact; and the only result which occurred was in an order which prevented all clerks, excepting only principals and deputy-principals, from identifying, in the disgrace which stigmatized the culprit, in the misery he caused his friends, and in the general distrust which such transactions ever entail on the class to which the offender belongs. Whether it be a bank clerk, or whether it be a banker, whether it be a ROWLAND STEPHENSON, or whether it be a WILLIAM BURGESS, the effect upon the great and unthinking mass of society is evil and mischievous.

The history of the railway mania of 1845 is not the least remarkable among those delusions which, from time to time, arise to throw aside legitimate trade and paralyze national commerce. From 1842 discounts had been easy and money plentiful. The funds maintained a high rate; low interest only could be obtained. In 1844 it was remarked that there had been a longer continuance of a plentiful supply of money than had occurred in the memory of the oldest capitalist. A desire to speculate grew out of these circumstances. Unlike most periods, when this desire

has been spread over many objects, it was concentrated on railways and railway schemes; and England was seized with her ancient frenzy. For some time it was legitimate, and confined within its proper boundary; but the desire spread; the contagion passed to all; and, from the clerk to the capitalist, the fever reigned, uncontrollable and uncontrolled. Some portion of the press aided the mania. The subject was a capable one, and leading articles trumpeted the growing greatness of the train.

“Railways are the triumph of a period of peace. They are the emblems of internal confidence and prosperity. They are the prophetic announcements of an open-eyed people to their neighbors, that they will not again waste their dearest action on the tented field, but exhibit and exert it in the mightier works of commerce.” The power of steam, the humanizing influence of a close connection between the refinements of the city and the requirements of the hamlet, were all eloquently announced. London was to receive the superfluities of the village; the village was to be gladdened with the civilization of London. Railways were to cover the length and breadth of the land, and their complete development was only a question of time; they were the advent of all that was desirable. “Do the people want present employ? Railways give it to hundreds of thousands at this moment. Is it desirable that the artisan or mere laborer should at all times be able to transference his skill or his strength to the place where he can most profitably employ either? Railways give the power to do so. Is it desirable that prices should be equalized generally through the country? Railways are the great levellers in this respect, bringing, as it were, the producer and the consumer into immediate contact. Are wastes to be reclaimed by labor and manure, in places where neither can be found? Railways will carry both to the spot. By railways the whole country may be, and, under the blessing of Divine Providence, will be cultivated as a garden.”

Invasion was no more to be feared, for every village would have its line, and the bold yeomanry of England would be carried to any place, and in scarcely any time, long before their aid could be required. The money would be spent in England, and, unlike the mining speculations, which carried it into distant parts, it would nourish the English population. Labor would be abundant. Wages would be plentiful. Trade would flourish by the circulation of capital, and the prosperity of the country be carried to an unimaginable extent. The railways were like “the bridge of gold which the generous Greek would have built to aid the escape of a flying enemy; they were the links which bring and bind friends together.” They were to remain safe in the midst of panic; and though “times of pressure—severe, hazardous, ruinous pressure—have been felt in this country, and, unfortunately, must be expected to be felt again, yet, when such a time of apprehension shall arrive, it will only prove them to be part and parcel of the genuine sources of wealth and avenues for labor in which this country lives, and moves, and has its being.

The directors of the railways were formed of all classes, and all conditions. Long lists of provisional committee-men, with their residences and professions, were paraded in papers. The journals were increased in size to contain the numerous advertisements. The heat of India was no objection. The cold of Canada no preventive. Men who had mingled

in the bubbles of 1825; men who were known and recognised as adventurous swindlers, but who had disappeared when no money was to be obtained, re-appeared, to exercise their customary vocation. The environs of the stock exchange were crowded. The countess came down in her carriage, and hovered in a state of excitement round the doors of her broker. Grave and sober men dabbled in scrip. The literary man and the artist risked their well-earned money to procure a share of the profits. The youth of the empire sought to gratify expensive habits. The old man sought to indulge his avarice. The clergyman traded in "undeniable securities." The physician murmured of the broad and narrow gauge. The lawyer forsook his fee; the lady jeopardized her soft and gentle influences; the matron forgot her children, and the maiden her embroidery, in one universal pursuit. The railways formed the current theme of the time. Premiums and discounts were the topics of the day, and every thing wore the same smiling appearance which, in 1823, had lured the people to destruction, and, as then, almost every thing came out at a profit. If they went to a discount, the company was abandoned, the whole of the expenses deducted from the few deposits which were paid, the directors liberally rewarded, and the small remaining dividend returned. The names of the clergy on the lists of directors produced an opinion from the Bishop of Exeter, that for a clergyman to speculate in railways came under the denomination of "dealing for gain or profit," and this was against the statute. "As the statute only mentions dealing," remarked a cotemporary, "and railway speculation involves shuffling, some of the reverend gentlemen maintain that they do not violate the act of Parliament."

The following is undoubtedly a faithful picture of the way in which many railways were established:

"A young gentleman need only look to a half-crown railway map, and search for a district tolerably clear of the rail. Taking two of the towns that form that open space, he draws a diagonal with his pencil, and thus creates a direct line. He then writes down the name of the company, his own name as "promoter," either alone, or with the names of as many friends as he can venture to take that liberty with, or with any names, real or fictitious; his own occupation, whether gentleman or esquire, engineer, artist or solicitor, or clerk, or perfumer, or tailor, or M. A., or M. D., dissenting minister, his place of business, if he has one; his place of residence, whether it be castle or hall, or in Berkley Square, or rooms in Gray's Inn, or lodgings in the Borough. In the course of his walk to the office in Serjeant's Inn, he may, if he pleases, remodel his company, changing every name in it, whether of place or person, including himself. Arrived at the office, he invests a few sovereigns, begged, borrowed, or stolen, in fees, and enters his company. Advertisements and letters of allotment do the rest. It may, for any thing the registrar knows or cares, be straight across a mountain a mile high, or straight across the arm of a sea ten miles broad. It would be his duty to register a tunnel under the Atlantic, and we are not quite sure that he would have the option of refusing a rail-road to Jupiter, with extension to the other planets, and a short branch to the moon."

The prospectus was sure to promise all the advantages of all the world,

perhaps to some small village which had hitherto been unable to support a coach once a week. The name of a local person of influence was obtained; a meeting was called at the village inn; speeches were uttered, which discoursed most eloquent music in the ears of the villagers, for their property was to be improved, and their importance doubled. Propositions were carried that a railway was necessary; the speeches appeared in the local journals, were advertised in the London papers; ten times the number of shares were applied for which were issued; and when they arrived at a premium, the promoters, secretaries and directors seized the golden opportunity, and the public came off second best. The socializing influences of the railway were descanted on. Directors dreamed of premiums, patronage and pay. Men who were known to have been penniless a year before, suddenly kept their broughams or started barouches. Valuable diamonds gleamed from fingers which had hitherto been guiltless of the bright adornment. Railway papers and railway pantaloons, railway ties and railway tricks, abounded. It was a railway madness. London was to be tunnelled that the train might run beneath her mighty heart; colonnades were to be formed in the air that the engine might pass over the path of the pedestrian; and the Surrey Zoological garden was to have a direct line. The time for other vehicles had gone; a new epoch had arrived; and iron roads were to intersect the great city, to pass through the fruitful orchard, and to destroy the fertile field. The sanctities of the poet of the lakes were to be invaded, and the haunts of nature were to resound with the hiss of steam and the rush of carriages. The weekly exponent of the follies of the times, which, beneath an exuberant fancy, veils a deep philosophy, suggested that there should be one great terminus for all the companies, and that that terminus should be a lunatic asylum. The system was fruitful; and every one said there was no risk. When shares were demanded of a company, and they only came out at par, the letter of allotment was put into the fire; if they arrived at a premium they were sold. Men without a shilling wrote for hundreds of shares. Journeyman mechanics styled themselves esquires, and signed deeds for thousands. The names of men well known in the city as swindlers, whose notorious character had banished them from the society of all good men, suddenly re-appeared on the lists of the proprietors and directors, their names graced by the cheap esquire, and their residences given in some far distant county.

Many of the prospectuses rivaled those of previous periods in grandiloquence. The lines were often recommended, not so much on account of their financial prospects, as they were for historical associations. One was "connected with the remarkable fact, that, in the reign of ALFRED the Great, the vicinity was the seat of an actual invasion by the Danes under HUBBA;" while another gave a history of the battle of Hastings, and invited the public to subscribe, for a reason which was only interesting from its connection with a period when railways were unknown.

The following is a further illustration of the schemes: "A flattering prospectus is issued, promising ten per cent., and perfect prosperity. Some secret agent of the directors is on the stock exchange, puffing up the shares. A price is named; it is eagerly accepted by him; the bar-

gain is made; and the price of the scrip established. The agents continue to buy; the jobbers, calculating on plenty of scrip being in the market, are willing to sell on the liberal terms which the agent pays; and they enter into engagements to deliver a large quantity of scrip. When a sufficient number of shares are sold to satisfy the grasping avarice of the directors, they profess to consider the applications; and it is announced that no more letters will be received, and that letters of allotment have been forwarded to the fortunate applicants, taking care, however, not to issue a tenth part of the number previously sold in the market. The letters applying for shares are burnt by bushels, without even the trouble of opening them; and those who have sold at £5 a share cannot even buy at £10 or £15, if the consciences of the directors are sufficiently elastic to allow of so enormous a robbery." This madness seized upon the peerage, both at home and abroad. "Prince de Joinville mounted a tender; Lord F. EGERTON sought to make a railway all by himself; Earl LONSDALE bought one; Lord BELHAVEN condescended to speak at meetings; Lord WORSLEY even took the chair; the Marquis of Ormonde trundled a wheelbarrow in the presence of his admiring peasantry; and Lord WHARNCLIFFE, 'high in the councils of her majesty,' cut turf on correct geometrical principles."

Every one talked of making large fortunes, and very few realized them. Each day witnessed the advent of some new companies; and ten times the quantity of shares were applied for than were to be issued. During the greater part of 1845,* it is almost impossible to imagine the constant and exciting fever which was around. The absorption of scrip was astonishing. It was understood that a certain amount of responsibility rested on the signer of the deeds, and some, therefore, preferred to purchase in the market at a small premium. The desire of gambling was thus spread; and those who at one time only thought of paying a small premium, and buying a small number, were led on by this terrible spirit to gamble far beyond their means. In many instances shares were purchased as investments, which would, in all probability, pay less than the interest receivable in the funds.

The tricks of the speculators were as frequent as ever. The daring genius, which, in 1825, had projected a mining company in the far west—which, in 1836, would skim the Dead Sea, or bore the Swiss mountains, for asphalt, was equally ready, in 1845, to project railways for the prevailing fancy. There was no possibility of providing for the responsibility of applicants for allotments. In vain the directors announced that

* The following were the lowest and highest quotations of bank shares and Consols, bank dividends, circulation and bullion, from 1841 to 1846:

	BANK STOCK.			BANK		CONSOLS.	
	Lowest.	Highest.	Bank Dividend.	Circulation.	Bullion.	Lowest.	Highest.
1841,	157	173	.. 7 ..	£ 16,537,000	£ 4,339,000	.. 87½	90½
1842,	165	173	.. 7 ..	16,952,000	6,125,000	.. 88½	95½
1843,	172	185	.. 7 ..	20,093,000	11,054,000	.. 92½	97½
1844,	185	211	.. 7 ..	21,122,000	15,784,000	.. 96½	101½
1845,	199	215	.. 7 ..	21,038,000	16,613,000	.. 91½	100½
1846,	199	211	.. 7 ..	21,311,000	16,366,000	.. 93½	97½

no applications would be received without a respectable reference. Respectable references were easy, and the first nobility of the nation were appealed to by men without a shilling. They were also so numerous that it was impossible to ascertain their authenticity. Private property was invaded, and private gardens were measured, with all the impudence of the craft. Gentlemen who had lived the best part of the century in their ancestral mansions, were threatened with the destruction of buildings, every nook of which was endeared by some old reminiscence. Fancies and feelings were alike disregarded; it was the age of iron.

Grave divines uttered after-dinner speeches, which were applauded to the echo, and reported in the newspapers, until people began to think they were only doing their duty in subscribing. "From London to Edinburgh," said one, "from St. Petersburg to Moscow, from Brussels to Cologne, the railway is spreading, carrying civilization and Christianity in its train, and making all the people in the world as one united family." The newspapers realized fortunes by the advertisements. Half a dozen competing rail-roads were announced to go over the same ground; and, though only one could obtain success, they were all at a premium. The same person was director of thirty different railways, under various descriptions. The rumor of the amalgamation of a projected with an established line sent the former up to an increased premium; while the report that the "railway king" was negotiating with an embryo company, added enormously to the value of its shares. In one, called the Great Western of Canada, which was issued at £3 10s. premium, it was stated that out of this only £1 15s. could be returned, as ten thousand shares had been divided among the stock exchange, for the purpose of interesting the members. "In schemes," said the "*Chronicle*," "where as many as 30,000 shares have been advertised, not more than 15,000 have been allotted to the public; the remainder being reserved, part of them for property on the line, part for the provisional committee and officers. In this way a scarcity of scrip was created, and the shares rose to a premium. When the price was thus forced up to a point supposed to be worth realizing, the reserved shares were sold, and the proceeds divided among the committee." In one case three millions of shares were applied for, where not one hundred thousand could be allotted.

Until the middle of October, 1845,* the excitement continued, and

* The leading events of a commercial or financial character between the years 1841 and 1845 were the following:

1841.—Lord ASHBURTON announced as special commissioner to the United States, January. The island and harbor of Hong Kong ceded (1841) by the Chinese to England. Pennsylvania United States Bank failed, third time, 5th February, and made an assignment, 4th September. Union of Upper and Lower Canada, 10th February. Foreign trade of Canton suspended, and hostilities with the English renewed, 21st May. Canton taken, 27th: ransomed, May 31st, for 8,000,000 dollars. American clocks exported to England. PEELE cabinet formed, September. Loss of the British steamship *President*. British steam expedition up the Niger river. Repeal of the sub-treasury act, August 9th. General bankrupt law passed in Congress, August 18th. 1842.—Anti-corn-law movement in Parliament by Sir R. PEELE. Captain WILKES returned from his exploring expedition, 11th June. Shanghai taken, July 19. ASHBURTON treaty ratified by the Senate, 20th August. British treaty with China, (29th August,) by which it was agreed to open five free ports.

the city article of "*The Times*" reported that the share market was good, with a large extent of business. The course of that paper during the fear and fright which followed will be faithfully pursued, because there can be little doubt that the panic was greatly hastened, if not absolutely caused, by its earnestness of purpose. Its leading articles were like a succession of hand-grenades thrown into a camp during a triumphal feast. The nation was still in its delirium; they projected without counting the cost; they laughed at warning, and defied opposition. On Tuesday, the 14th of October, 1845, a leading article appeared which, after calculating the income and the accumulations of the country, entered calmly but closely into the investigation of railway schemes, and concluded by demanding, "Whence, then, are the hands to come for the rail-roads already authorized, staked out, and contracted for?" "As for the nine or ten thousands of miles of new projects, the three or four hundreds of millions they demand, and the whole population of skilled and unskilled Englishmen they would require, they are at present no more than a dream, the greater part of which must vanish into thin air long before they can become the sport of counsel and the victims of committees. In vain their long lists of directors, in vain the mutual support which men of straw, in every age, have been so ready to afford. Could we find in the pompous catalogues which adorn the columns of the public press, any good show of substantial names, we might at least distrust our own anticipations." "It is the simpler part of the public which is deceived; and, at the risk of offence, we think it our duty to take what steps we can to warn them of the day when the bubbles must burst and collapse." On the following day the directors and provisional committee-men were warned of their responsibility, and the bold assertion made that "many of the schemes were based on fraud." The public began to wonder, and men looked anxiously about them. Money grew scarce, and thirty and forty per cent. was offered, on the security of scrip, but refused. The appearance was ominous. On Thursday, the 17th of October, 1845, a notice was issued by the bank that the minimum rate of interest would be three per cent., and this advance caused general satis-

Royal Exchange commenced by Prince ALBERT, January 17th. Edinburgh and Glasgow Railway opened, February. Great fire at Hamburgh, three days. Croton Aqueduct, New-York, completed. 1843.—Return of Captain Ross from the South Pole, 6th September. Treaty of commerce, by Sir H. POTTINGER, with China. Canton opened to the English, July 27th. Natal annexed to Cape of Good Hope colony. Thames Tunnel opened for travel. British packet mail station changed from Falmouth to Southampton. Half-farthings first coined. 1844.—Robbery of ROGERS & Co., bankers, London—£40,710. Treaty of annexation of Texas to the United States rejected by the United States Senate, 8th June. Anti-rent riots in New-York, August. Re-charter of Bank of England. Magnetic telegraph between Baltimore and Washington, July 1. Cheap postage act of United States went into operation, 1845.—Treaty between United States and China ratified by United States Senate, 16th January. Sir JOHN FRANKLIN left England, 25th May, on his Arctic expedition. Anti-corn-law league at Manchester. Steam-ship *Great Britain* arrived at New-York, 10th August. Treaty of annexation of Texas ratified by the United States Senate, 1st March. Loss of \$6,000,000 by fire in New-York city, 19th July. Great fires in Quebec, May 28th, and June 28th. PEEL ministry resigned, 11th December. Failure of the potato crop in Ireland, and for three years subsequent.

faction among the disinterested. "*The Times*" continued its progressive warnings. On the 17th of October, a correspondent wrote that among the directors of the new railways "there were some most notorious scamps, alias swindlers, who never possessed a penny in the world, and never could or would have possessed one, save what might arise from their infamous designs." Another added, "Nothing seems to come amiss to them; north, south, east and west—the Mauritius, West Indies, French, Spanish, Italian; their enormous appetite hath stomach for them all." By Friday, the 18th, these masterly exposures, and the advance in the rate of interest, checked the progress, and produced a general gloom.

The alarm had now fairly seized the speculators, who vented their spleen in decrying "*The Times*" and in abusing the bank. The prices of all shares fell in value. In vain the holders argued that an advance in the bank rate of one-half per cent. ought not to affect those who were willing to pay twenty or thirty per cent. for accommodation; that rail-roads were as good as they ever were; and that there was no just cause for their failing. In vain they asserted that the journal which had so evidently stopped their career was not free from pecuniary views; the voice of "*The Times*" spoke the voice of the disinterested, and a "voice potential double as *The Times*," the voice of truth, asserted to all intelligent listeners, that the "madness which had method in it" had passed away, and that panic and peril awaited the dealers. In vain meetings were held, and promoters and provisional committee-men pledged themselves to punish "*The Times*," by sending no more advertisements to it: the danger of their position was evident; and many holders of scrip were prepared to escape, at almost any sacrifice.

The higher the premiums, the more eager were the purchasers, before the bubble burst, and then, the lower the price fell, the more anxious were they to dispose of their property; thus rendering the value ten times less than it might otherwise have been. So great a fright had seized upon the unhappy speculators, that the very men who boasted of realizing thousands were urgent in offering large premiums to any person who would relieve them of the responsibility. The warning which had been given at an earlier period was fulfilled. "When the crash comes, as come it soon inevitably will, it may not be the scrip-holder alone that will be involved in ruin, but provisional committee-men, who had congratulated themselves on their skilful execution of the manœuvre of 'getting out,' may find themselves still 'in,' to an extent which they never expected." The earnestness of the railway papers to prove that there could be no difficulty in paying the deposits was almost amusing. It was placed, with the utmost ingenuity, in all forms and phases; and it was remarked that the effort reminded of the Indian fable of the creation of the world—that the globe rests first on an elephant, and the elephant on a tortoise; but, when the Brahmins are asked what the last rests on, there is no reply. An open swindling had been adopted; and one of the most significant signs of the times was in constant advertisements offering for sale the instruments of engineers. The following clever but infamous scheme was successfully pursued:

Twelve "leading men" in the city brought out a project for a railway. The deposit was trifling, but their standing enabled them to demand a

heavy premium. They cleared by this £25,000 apiece, and shortly afterwards sent round a circular, that unforeseen engineering difficulties rendered necessary the abandonment of the scheme, and, with a trifling per centage deducted for expenses, the deposits, not the premiums, were returned. An endeavor, at the time, to establish the truth of this produced the reply, "It is likely to be true of so many, that it will be useless to fix it upon any particular company."

The panic continued, and "*The Times*" continued its startling warnings with a tone that must have penetrated the hearts of those who had unhappily consented to become directors or provisional committee-men. "It is quite impossible that men who have been notoriously little better than swindlers all their lives, should have become suddenly honest by being chosen members of a provisional committee. Doubtful characters do occasionally get smuggled into the direction of reputable companies, but it is utterly impossible that those schemes can be soundly constituted which allow the almost indiscriminate admission of men of straw, of uncertificated bankrupts, and recently discharged insolvents." "Can twenty millions of money," wrote "*The Bankers' Magazine*," "be withdrawn annually from circulation without interfering with the necessary business of the country?"

These things produced their natural results. The evil commenced to abate; and it was announced on the 24th of October, 1845, a little more than a week after the first alarm had been sounded, that, "should the depression continue, the alleys in the neighborhood of the stock exchange will be speedily cleared of the horde of petty gamblers and letter dealers that at present infest those localities. It will be some satisfaction to the public to know that there is every prospect of the clearance of this nuisance being shortly accomplished." The fluctuations in the periodical returns of the bank were eagerly watched; and each week the apparent impossibility of paying up the deposits was confirmed. It was what has since been finely termed the "rushing mania of a nation."

But the evil spread to the innocent. Those who had pursued their legitimate calling found a difficulty in collecting their money from those who had been engaged in railways; and wholesale houses directed their travelers "to inquire how their customers stood in the share market, and to press them accordingly."

Of this prevailing madness, however, the evil effects remained long after the hope had departed. Men of character, who had worked hard for the independence they had gained, had consented, in an evil hour, to join the committees of projected companies. In the height of their delusion they talked of large profits, made extensive purchases, lived in a costly style; but they soon found out that not only were they liable for their individual risk, but were compelled to sell their property at a sacrifice, and fly to a foreign soil from their relentless creditors. As an evidence of the thoughtlessness of the period, a line, known as the Oxford and Wolverhampton, on which $3\frac{1}{2}$ per cent. was guaranteed by the trunk line, reached a high premium; the same line has now 4 per cent. guaranteed, but is at 10 discount. In one instance, a person who had stepped out of his legitimate path to speculate in these securities, was

paying 200 per cent. in the stock exchange at the very time that his bills were being taken at $3\frac{1}{2}$ per cent. in the discount market.

By the arrangements of the board of trade, the plans, sections and documents of those companies which were anxious to forward their appearance before the railway committee, were to be lodged by the 30th of November. There was no time to be lost, and artists and artisans alike reaped a golden harvest. It is almost impossible to imagine the hurry and eagerness displayed by the promoters of the various lines. Draughtsmen were enticed from the continent by the hope of high wages and continued occupation. Youths not out of their servitude were employed on important works. The Sabbath was desecrated; engravers worked without rest, until exhausted nature demanded her tribute, and they snatched a hasty repose. The most extravagant pay was granted to surveyors and engineers; the merest novices received employment, and all regular business was abandoned. Tricks of all sorts were played; and in one instance the whole of the type and stock in trade of a printer was purchased by one company, to prevent its rival from publishing an important document by a particular period. The *ruse* was successful, and the document behind its time.

On the last day allotted for the reception of the plans, a scene was witnessed which must have astonished the officials at the board of trade. As the time approached, an anxiety which passes belief was evinced. Higher wages were paid to those who could or would work in preparing the plans. Some contracts were abandoned, from the impossibility of fulfilling them. Night after night witnessed the earnest workman still snatching a brief repose for an hour or two, that he might resume his labors with greater energy. Post-horses were in demand. Special trains brought plans from all parts of England. Railway companies refused trains which would assist opposition projects; and the exertion made to lodge those which were ready, is almost incalculable. The clerks were overwhelmed with them; and though an additional number of those gentlemen were employed, it was impossible to keep pace with the incessant arrivals. The place became crowded. The last hour was approaching. An alarm seized on all that the necessary forms would not be gone through in time. The clock struck, and the doors were closing, when a gentleman, with the plans of a proposed railway for Surrey, rushed in, and succeeded in lodging his charge. The doors were then closed, and, in a short time, a post-chaise, with foaming steeds, galloped up to the entrance. Down the passage, and towards the office, rushed the three occupants, with their cherished papers. The door was shut; but railway persons deemed themselves privileged, and the bell was loudly rung. The unsuspecting inspector of police answered the ring; and the huge documents were thrown in at a venture, but were again thrown into the street. Many were too late for the appointed hour. The labor of anxious days and weary nights, the results of plotting heads and crafty brains, were rejected.

Thus ended the wild excitement of a period within the memory of all. It is another evidence of the truth of Mr. JONES LLOYD'S assertion, that these events occur in cycles; it is another proof that no warning can save a people determined to grow suddenly rich. The delusion passed; but

the effects remained. Business was long paralyzed. The small trader who had neglected his calling was ruined. The merchant who had embarked in the adventurous speculations, found, to his cost, that the reckoning was yet to come. The deposits were to be met, and many possessed no money wherewith to pay them. They had embarked in engagements which they could not fulfil, and a fearful prospect awaited them. Notwithstanding the wholesale manner in which the new lines were rejected, contracts for a certain amount of work, involving the outlay of a proportionate capital, were entered into by the conductors of various rail-roads. The deposits have yet to be paid. The question has yet to be decided whether the surplus resources of the country will be sufficient to meet them, and on that doubtful question rests the welfare of the nation until the last call of the last railway has been fulfilled. It is to be feared, to use the homely illustration of BENJAMIN FRANKLIN, that England must yet "pay dearly for her whistle."

It was a somewhat curious circumstance that the first half year the bank were able to shorten the shuttings was at a period when the monetary interest required it most urgently. The following, from "*The Times*," is a satisfactory proof that the service was publicly appreciated: "Much credit is due to the directors of the bank for the arrangements made to shorten the period during which the books are to be closed against transfers of stock. Last year the shutting day was the 3d of December, but the approaching shutting day is not till the 10th of December. At all times an additional week for public transfers is valuable, but is most particularly so at present. There has not occurred for many years a period for closing the bank books against transfers which has been regarded with so much anxiety."

The present history closes with the railway madness of 1845. The strange events which have since transpired, the action of the new charter, the fearful failures which have arisen from the fruitful harvest of 1847,* with other important occurrences, are too recent to be fairly or freely discussed by the writer. We are yet in the midst of a storm which is shaking the very pillars of the commercial world; and the future history of the Bank of England promises to surpass in interest and importance any thing which has hitherto been related.

* Mr. ALISON charges the revulsion of 1847 to free trade doctrines. The origin of free trade is attributed by him to ADAM SMITH and QUESNAY, instead of BROUGHAM, HUSKISSON, COBDEN, PEEL and BRIGHT. The resolutions introduced into Parliament by Mr. BROUGHAM in 1817, were among the first steps in this direction in that body. Sir R. PEEL opposed the doctrine in 1841, but afterwards adopted it. "The inevitable effect of adopting the free trade principle, for any length of time, by an old State, always has been, and always must be, *that the agriculture of that State is destroyed, its independence endangered, and at length its existence terminated.* This it was which occasioned the fall of Rome; *this it is which will occasion the destruction, in the end, of the British empire.* The reason is to be found in a cause of universal application and irresistible force, but so simple and familiar, that, like an apple falling to the ground, men were long in seeing the explanation of the mighty phenomenon, which lies in a matter of daily occurrence. It is this: that every thing which is plentiful, and money among the rest, *becomes cheap.* The necessary effect of this cheapening of money is, that every thing else becomes dear in the rich State; and thence, under the free trade system, the ruin of its agricultural industry."—ALISON'S *Europe*, vol. 6, p. 235.

CHAPTER XXVI.

TRADITIONS CONCERNING THE BANK—STOLEN NOTES—STRATAGEM OF THE DUC DE CHOISEUL—LOST NOTE—DESCRIPTION OF THE BANK—WEIGHING MACHINE—INTERNAL ARRANGEMENTS.

IN the history of an establishment which for more than a century has veiled its transactions with an almost jealous secrecy, many occurrences have taken place which are now only known by the dim light of tradition. The periodicals of the time are replete with remarkable events, some of which are often related with a circumstance and a verisimilitude arising either from their being founded on fact, or from a deliberate deception for which there is no adequate cause. Great trouble has been taken to verify those which are now presented to the reader's notice, and though the effort has been futile, yet, where it has been found practicable to test, upon other subjects, the source from which they have been derived, it has always proved correct; and this is strong, though indirect, evidence of their truth. The following are most worthy of relation :

The principal clerk of one of the bankers having robbed his employer of Bank of England notes to the amount of twenty thousand pounds, made his escape to Holland. Unable to present them himself, he sold them to a Jew. The price which he received does not appear; but there is no doubt that, under the circumstances, a good bargain was made by the purchaser. In the mean time every plan was exhausted to give publicity to the loss. The numbers of the notes were advertised in the papers, with a request that they might be refused; and for about six months no information was received of the lost property. At the end of that period, the Jew appeared with the whole of his spoil, and demanded payment, which was at once refused, on the plea that the bills had been stolen, and that payment had been stopped.

The owner insisted upon gold, and the bank persisted in refusing. But the Jew was an energetic man, and was aware of the credit of the corporation; he was known to be possessed of immense wealth; and he went deliberately to the exchange, where, to the assembled merchants of London, in the presence of her citizens, he related publicly that the bank had refused to honor their own bills for twenty thousand pounds; that their credit was gone; their affairs in confusion; and that they had stopped payment. The exchange wore every appearance of alarm; the Hebrew showed the notes to corroborate his assertion. He declared that they had been remitted to him from Holland; and as his transactions were known to be extensive, there appeared every reason to credit his statement. He then avowed his intention of advertising this refusal of the bank; and the citizens thought there must be some truth in his bold announcement.

Information reached the directors, who grew anxious, and a messenger was sent to inform the holder that he might receive cash in exchange for the notes. "In any other country," says the person who relates this tradition, "the Jew would have been tried as a calumniator; but in England, the bank, the soul of the State, would have lost the cause. The law could not hinder the holder of the notes from interpreting the refusal that was made of payment according to his fancy; nothing could prevent him from saying that he believed the excuse was only a pretext to gain time; and though intelligent people would not credit the story, the majority would have been alarmed, and would not have taken their notes for cash. In short, the Jew was acquainted with the nation and its laws, and he gained his point." It must also be remembered that at so early a period the reputation of the company was not so firmly established as at the present time.

Among the many runs upon the bank which have been recorded, the following is not the least remarkable. The Duc DE CHOISEUL, during the American war, hazarded a project, which, had it been successful, would have injured the credit of the establishment, and for a period destroyed the energies of the nation. Aware of the importance of this corporation to the State, and that Great Britain owed her success in war partially to the bank, he conceived the idea of using all the efforts of France to destroy the power of the company, trusting that a triumphal close to the contest between the two countries might be produced. Some millions of livres added to the zeal of the French emissaries, who discovered a period when the bullion was somewhat low, and spread reports calculated to injure the reputation of the corporation. Collecting all the notes which they could possibly procure, they poured them into the bank, and carried away the gold with a parade which attracted the attention it sought. The old cry arose of a run upon the bank, and in a few hours the whole city was in motion. Volumes of paper were presented, and gold received in exchange. The consternation of the directors was in proportion to the suddenness of the attack. The alarm, far from being quieted, became every day more general. Post-chaises poured in from the provinces. The application for specie became more urgent. There was no mode of judging to what extent an attempt so unprecedented and so unexpected might be carried. The efforts of the national enemy seemed prospering, and for some days England appeared to be upon the brink of the greatest evil which could happen. Time was necessary to collect specie, and people were employed day and night to coin money. All the gold which by any stratagem could be gathered was brought into bank. The method of paying by weight was discontinued. The sums claimed were delivered with greater deliberation; and the money placed guinea by guinea upon the table. For nine days this fever continued; but the method adopted by the directors, with concurrent circumstances, gave time for the production of a large supply of gold. All the demands were met; the claimants, finding there was no cause for doubt, resumed their confidence in the bank, and the scheme of the Duc DE CHOISEUL proved ineffectual.

An extraordinary affair happened about the year 1740. One of the directors, a very rich man, had occasion for £30,000, which he was to pay as the price of an estate he had just bought; to facilitate the matter, he

carried the sum with him to the bank and obtained for it a bank note. On his return home, he was suddenly called out upon particular business; he threw the note carelessly on the chimney, but when he came back a few minutes afterwards to lock it up, it was not to be found. No one had entered the room; he could not, therefore, suspect any person. At last, after much ineffectual search, he was persuaded that it had fallen from the chimney into the fire. The director went to acquaint his colleagues with the misfortune that had happened to him; and as he was known to be a perfectly honorable man he was readily believed. It was only about four-and-twenty hours from the time that he had deposited his money; they thought, therefore, that it would be hard to refuse his request for a second bill. He received it upon giving an obligation to restore the first bill, if it should ever be found, or to pay the money himself, if it should be presented by any stranger. About thirty years afterwards (the director having been long dead, and his heirs in possession of his fortune,) an unknown person presented the lost bill at the bank, and demanded payment. It was in vain that they mentioned to this person the transaction by which that bill was annulled; he would not listen to it; he maintained that it had come to him from abroad, and insisted upon immediate payment. The note was payable to bearer; and the thirty thousand pounds were paid him.* The heirs of the director would not listen to any demand for restitution; and the bank was obliged to sustain the loss. It was discovered afterwards that an architect, having purchased the director's house, had taken it down, in order to build another upon the same spot, had found the note in a crevice of the chimney, and made his discovery an engine for robbing the bank.

The interior arrangements of the Bank of England are not the least remarkable part of its economy. The citizen who passes it on his way to his counting-house; the merchant who considers it as an edifice where he gets his bills discounted or lodges his bullion for security; and the banker who regards it in his daily visits only as a place to issue the various notices that interest him, look on it with an indifferent eye. Even to the stranger its external appearance is almost lost in contemplating the nobler structure which looks down upon it. But to visit its various offices, to enter into the mode in which its affairs are conducted, and to witness the almost unerring regularity of its transactions, cannot fail to excite admiration. Within that building, occupying a few feet less than three acres, is the remarkable regularity and precision which has procured from statesmen and political economists, from merchants and from bankers, the highest and most complimentary eulogiums. In its management all that capital can command, or intellect devise, is introduced. The machinery of Manchester on a small scale, may be here witnessed. The steam engine performs its work with an intelligence almost human, as by it the notes are printed, and the numbers registered, to guard against fraud. When the spectator passes from building to building, and marks each

* This appears to be a curious decision. The holder certainly could not prove value paid for the note. No one would purchase except upon due inquiry, in such an extraordinary sum; and the statute of limitations would seem to be operative in such a case.—E.D.

place devoted to its separate uses, yet all of them links in one chain, he cannot fail to be affected with the grandeur of the body which can command so extensive a service.

The most interesting place connected with the machinery of the bank is the weighing office, which was established a few years ago. In consequence of a late proclamation concerning the gold circulation, it became very desirable to obtain the most minute accuracy, as coins of doubtful weight were plentifully offered. Many complaints were made that sovereigns which had been issued from one office were refused at another, and though these assertions were not, perhaps, always founded on truth, yet it is more than probable that the evil occasionally occurred. Every effort was made by the directors to remedy this, some millions of sovereigns being weighed separately, and the light coins divided from those which were full weight. Fortunately the governor for the time being, before whom the complaints principally came, had devoted his thoughts to scientific pursuits, and he at once turned his attention to discover the causes which operated to prevent the attainment of a just weight. In this he was successful; and the result of his inquiry was a machine remarkable for an almost elegant simplicity. About eighty or one hundred light and heavy sovereigns are placed indiscriminately in a round tube; as they descend on the machinery beneath, those which are light receive a slight touch, and this moves them into their proper receptacle, while those which are the legitimate weight pass into their appointed place. The light coins are then defaced by the sovereign cutting machine, observable alike for its accuracy and rapidity. By this two hundred may be defaced in one minute, and by the weighing machinery 35,000 may be weighed in one day.*

It has been stated in a previous part of this work that the first stone of the original building was laid in 1732, that the edifice was finished in 1734, and that this comprised the centre of the present building, which is of the Ionic order, and occupied the space previously employed by the house and gardens of Sir JOHN HOUBLON, the first governor. The design was by Mr. GEORGE SAMPSON; the fabric was raised under his superintendence; the front was of stone, and the principal offices were formed of wood. As the importance of the corporation increased, the building became enlarged, and between 1770 and 1786, the wings were erected, under the direction of Sir ROBERT TAYLOR, the design being taken by him from a small building in the Belvidere Gardens, at Rome. The columns are of the Corinthian style, arranged in pairs along the front, supporting at each end a pediment and a balustraded entablature between, with arched recesses in the place of windows. The remainder of the building was erected principally by one who has left the evidences of a cultivated mind and a pure taste in many public buildings. On the death of Sir ROBERT TAYLOR, in 1788, the office of the architect of the bank became vacant, and Mr. SOANE was appointed to the post of honor. "It opened,"

* An eminent member of the Royal Society mentioned to the writer that amongst scientific men it is a question whether the weighing machine of Mr. CORROU is not the finest thing in mechanics, and that there is only one other, the envelope folding machine of DE LA RUE, to be mentioned with it.

says the writer of the Illustrations of the Public Buildings of the Metropolis, "a wide field for his fancy and talents; for the buildings of the bank were at that time limited in extent, inconvenient in many essential parts, and were also ungracious in architectural character. Unlike his predecessors, SAMPSON and Sir ROBERT TAYLOR, Mr. SOANE commenced his operations by making an elaborate ground-plan of the whole range of offices, and another plan showing a design for erecting a new edifice, to be progressively executed, without interrupting the necessary and extensive business of this great national establishment." In 1780 the directors, alarmed at the dangerous facility which the adjacent church of St. Christopher le Stocks gave to any mob possessed of the slightest military skill, entered into a negotiation with the rector. Two acts of Parliament had been passed to enable them to purchase ground adjoining their establishment, and by another act the glebe land, the parsonages, &c., belonging to the rector of St. Christopher le Stocks, were vested in the governor and company. The rotunda was built in 1795 by Sir JOHN SOANE, and shortly afterwards application was made to Parliament for extending the Lothbury front westward, and connecting the whole of the offices then built with those proposed to be erected, to give the exterior a uniform appearance. The notice which the designs by Sir JOHN SOANE attracted must be in the memory of many, as, from the novelty of the arrangement and the style of architecture, they were altogether new to the critics and *conoscenti* of the day.

The principal entrance to the bank is from Threadneedle-street, opening by a large arched gateway into a quadrangular paved court, with which all the leading communications are connected. Prior to the improvements by Sir JOHN SOANE, many of the offices, between which a close connection was desirable, were far apart, and inconveniently situated for business. The governor and directors, being anxious to remedy this evil, consulted their architect, who arranged the offices into one uniform plan, to which he proposed that all future additions or alterations should be made subservient. Under his direction a line of communication was opened through the interior from north to south.

The pay hall, which fronts the main entrance, is a part of the original building by SAMPSON, measuring seventy-nine feet in length and forty in breadth; and at the eastern end is the statue of the founder of the bank. In allusion to this place, the Baron DUPIN says, in his "Commercial Power of Great Britain," "The administration of a French bureau, with all its inaccessibilities, would be startled at the view of this hall."

The bullion office is only remarkable for the vast store of treasure which it occasionally contains. "I understand the bullion office," said a witness before the bullion committee, in 1810, "to have been instituted merely for the purpose of accommodation and safety between merchant and merchant, as a place of deposit; it used formerly to be called the warehouse." It is exclusively devoted to the receipt and deposit of bullion; any person may send gold to this office, as a place of safety, without incurring any charge, unless it be weighed, when a small per centage is demanded. It formed part of the structure by Mr. SAMPSON, was altered by Sir ROBERT TAYLOR, and still further improved by Sir JOHN SOANE on his accession to the office of architect.

The court room is a noble apartment, by Sir ROBERT TAYLOR, of the composite order, about sixty feet long and thirty-one feet six inches wide, with large Venetian windows on the south, overlooking that which was formerly the church-yard of St. Christopher. The north side is remarkable for three exquisite chimney-pieces of statuary marble, the centre being the most magnificent. The east and west are distinguished by columns detached from the walls, supporting beautiful arches, which, again, support a ceiling rich with ornament. The west leads by folding-doors to an elegant octagonal committee-room, with a fine marble chimney-piece. The governor's room is square, with various paintings, one of which is a portrait of WILLIAM III. in armor, an intersected ceiling, and semi-circular windows. This chimney-piece is also of statuary marble; and on the wall is a fine painting, by HARLOW, of the bank, bank buildings Cornhill, and Royal Exchange. An ante-room contains portraits of Mr. ABRAHAM NEWLAND and Mr. DANIEL RACE, cashiers, taken as a testimony of the approbation of the directors. In the waiting-room are two busts, by NOLLEKENS, of CHARLES JAMES FOX and WILLIAM PITT. The original rotunda, by Sir ROBERT TAYLOR, was roofed in with timber; but when a survey was made, in 1794, it was found advisable to take it down; and, in the ensuing year, the present rotunda was built, under the superintendence of Mr. SOANE. It measures fifty-seven feet in diameter, and about the same in height to the lower part of the lantern. It is formed of incombustible materials, as are all the offices erected under the care of Sir JOHN SOANE. For many years this place was a scene of constant confusion, caused by the presence of stock-brokers and jobbers. In 1838 this annoyance was abolished, the occupants were ejected, and the space employed in cashing the dividend warrants of the fundholders. The offices appropriated to the management of the various stocks are all close to or branch out from the rotunda. The dividends are paid in two rooms devoted to that purpose, and the transfers are kept separate; they are arranged in books, under the various letters of the alphabet, containing the names of the proprietors, and the particulars of their property. Some of the stock offices were originally constructed by Sir ROBERT TAYLOR, but it has been found necessary to make great alterations, and most of them are designed from some classical model; thus, the three per cent. consol office, which, however, was built by Mr. SOANE, is taken from the ancient Roman baths, and is eighty-nine feet nine inches in length and fifty feet in breadth. The chief cashier's office, an elegant and spacious apartment, is built after the style of the Temple of the Sun and Moon, at Rome, and measures forty-five feet by thirty.

The fine court, which leads into Lothbury, presents an interesting display of Roman and Grecian architecture. The buildings on the east and west sides are nearly hidden by open screens of stone, consisting of a lofty entablature, surmounted by vases, and resting on columns of the Corinthian order, the bases of which are on a double flight of steps. This part of the edifice was copied from the beautiful temple of the sybils, near Tivoli. A noble arch, after the model of the triumphal arch of CONSTANTINE, at Rome, forms the entrance into the bullion yard. The entablature rests on fluted Corinthian columns, supporting statues, which indicate the four quarters of the globe. The intercolumniations are or-

namented by allegories representing the Thames and the Ganges, executed by THOMAS BANKS, the academician, the roses on the vaulting of the arch being copied from the Temple of Mars the Avenger at Rome. On the death of Sir JOHN SOANE, Mr. COCKERELL was chosen to succeed him in his important position. The style of this gentleman in the office he designed for the payment of the dividend warrants, now employed as the private drawing office, is very different to the erections of his predecessor. The taste which produced the elaborate and exquisite ornaments in this room is in strong contrast to the severe simplicity of the works of Sir JOHN SOANE.

The new machinery for printing the notes, which was introduced by Mr. OLDHAM—the invention of whom has been employed by the Austrian and Irish, no less than by the English bank—is well worthy of a visit, but would be uninteresting to delineate. Its effect may be described in the assertion that the power formerly employed by the mechanic in pulling a note is now exerted by the steam-engine. The machines by which the bank notes are numbered on the dexter and the sinister halves, each bearing the same figures, have been used in the establishment for nearly fifty years, and are the patents of BRAMAN & Co. The principle, like every other intricacy when it is explained, is very simple, and may be summed up in the words that, as soon as a note is printed, and the handle reversed to take it out and put another in its place, a steel spring, which is attached to the handle, alters the number to that which should follow. The whole of the printing of the bank is executed within its walls; the ruling machines are the simple ones generally in use; the presses are those invented by COWPER, and are so well known that no description is required.

By the appendix it may be seen that the bank commenced business with fifty-four assistants, the salaries of whom amounted to £4,350. The total number employed at present is upwards of nine hundred, and their salaries exceed £210,000.

The curiosities of the bank are few. It possesses, however, a collection of ancient coins, which, with the exceptions of those of the British Museum and of Paris, is perhaps the finest in Europe. Visitors are occasionally shown some notes for large amounts, which have passed between the bank and government; but to the antiquarian there are not many attractive objects.

In the early history of the establishment any person in the possession of a bank note might demand only part of its amount, and the same plan might be resorted to with the same note until the whole of the sum due upon it was absorbed. Some of these are still shown; on the last which came in there was only sixpence to receive.

The following is principally derived from the report of the committee of the House of Commons, and is given almost verbatim:

The supreme management of the bank is vested in the whole court of directors, which meets weekly, when a statement is read of the position of the bank in its securities, bullion and liabilities. The directors have equal power, and should a majority disapprove of the arrangement, they might re-construct it. Eight of them go out and eight come in annually, elected by the court of proprietors; and the system on which the affairs

of the bank are conducted is, of course, liable to change, as new directors may exert their individual influence on it. A list of candidates is transmitted to the court of proprietors, and the eight so recommended uniformly come in. Quakers and Hebrews are not eligible; although many are so well versed in monetary matters. When an individual is proposed as a new director, inquiry is always instituted concerning his private character.

The qualification is the possession of bank stock to the amount of £2,000, of the deputy-governor £3,000, and of the governor £4,000. For many years the directors have adhered to the practice of possessing only the amount of qualification; and when the twenty-five per cent. bonus on stock was given to the proprietors, they merely retained their previous amount. They are responsible for the management of the affairs of the bank, and penalties attach to their conduct, individually or collectively, upon certain occasions. But by the charter they were not responsible for the management of the monetary department to government; and the whole security which the public have for that management depends on their discretion, subject to the new charter.

If the mode of choosing and electing directors be wrong, it is in the power of the proprietors to change it; but in Mr. GEORGE GROTE'S opinion, it would be most difficult to devise a better method. "House lists" are common in many institutions; and it has long been thought that the present method is better for the public than any other. Although, strictly speaking, the directors are the sworn servants of their constituents, their duty to the bank is always regulated, to a certain degree, by the demands of the country. "It has happened to us," said Mr. RICHARDS, "to feel it our duty to our proprietors to postpone their interests, in order to effect some important good to the public at large, in which their interest might be mixed up; it has not been the practice of the bank to sacrifice the wishes and expectations of the public merely to a dry consideration of the interests of the proprietors, because they are so blended that it is hardly possible to keep them distinct." Mr. LLOYD thinks the limitation of the right of election exclusively to proprietors of stock, is open to objection, but not sufficiently so to justify any alterations.

Many persons consider that, if the present system with reference to the private deposits in the bank were extended, it would prove beneficial to the traders of London. This consideration has induced the bank to offer the usual facilities for obtaining advances which are afforded by private bankers to their customers. There is every reason for its employment as a bank of deposit, and most especially in the feeling of additional security. The want of confidence in the private bankers, produced by their failures, has caused a great increase of deposits in the Bank of England since 1825. The directors have not had the power of acting upon any fixed system till a late period, in consequence of a variety of circumstances that existed prior to that time. For instance, from 1819 to 1822, the bank had to prepare for cash payments, and to contend with the conflicting character of the circulation* of the country and London, governed

* To make any direct alteration in the terms of the contracts entered into between individuals, would be a degree of barefaced oppression and tyrannical inter-

as the country then was by a small note circulation. While that circulation existed, the bank was liable to a great sudden demand.

In the two last months of the year 1825, the demand upon the bank was nearly two millions and a half sterling for the support of the country circulation, when the exchanges were nearly at par, which placed the bank in a peculiar state of difficulty. The whole embarrassment of that period, with regard to bullion, arose from the magnitude of the demand, which was made almost entirely for the purpose of upholding the small note circulation. The holders of that paper were the lower orders of the people, whose fears are extensively acted upon in times of distrust; and, there having been no exchange for one-pound notes but the sovereign, the demand upon the bank became inevitable. At that period the London bankers also pressed very much for gold, but they served merely as the channel through which the supply was sent to the country. Since the circulation of the one-pound notes has ceased, the occasional excessive demand has been obviated.

Whenever there is a deficient capital at home, for the purchase of silver, the bank may, with advantage to the country, preserve the gold by the exportation of silver, and by purchasing with it the excess of bills upon England in the foreign market. The operation is conducted with secrecy, but with the full concurrence of the whole court of directors; and in making such a use of their silver, their sole object is to protect the gold, which, in times of an unfavorable exchange, has a tendency to leave the country.

ference with the rights of property, that could not be tolerated. Those, therefore, who have hitherto endeavored to enrich one part of society at the expense of another, have found it necessary to act with greater caution and reserve. They have not, indeed, relinquished their purpose, but they have been obliged to substitute the cunning of the practical cheat for open and avowed injustice. Instead of directly altering the stipulations in contracts, they have ingeniously bethought themselves of altering the standard by a reference to which these stipulations had been adjusted. They have not said, in so many words, that ten or twenty per cent. shall be added to, or deducted from, the mutual debts and obligations of society, *but they have really effected the same thing by making a proportionable change in the value of the currency.* Men, in their bargains, do not stipulate for signs or measures of value, but for real equivalents. Money is not merely the standard, by a comparison with which the relative value of commodities is ascertained at any given period, but it is also the equivalent, by the delivery of a fixed amount of which the stipulations, in almost all contracts and agreements, may be discharged. It is plain, therefore, that no variation can take place in its value without essentially affecting all these stipulations.—*Edinburgh Review, July, 1821, p. 468.*

Previously to 1797, the Bank of England had been restrained from issuing any notes except such as were made payable in gold or silver coin, of the legal weight and purity, at the pleasure of the holders—a regulation which made it utterly impossible for the directors of the bank to depress the value of their notes below the value of the coins for which they were exchangeable. But the order in council of the 25th February, 1797, and the acts of Parliament by which it was followed up, by removing this check, effected a total change in our ancient monetary system, and, instead of the old standard, gave us the self-interested views and opinions of twenty-four irresponsible individuals. The circulation of Bank of England paper was secured by its being exclusively issued in payment of the dividends, or of the interest of the public debt, and by its also being received as cash in all payments into the exchequer; but no attempt was made to sustain the value of this paper on a par with the value of gold or silver. *Full power was given to the directors of a private banking company to raise or depress the value of money as their whim or caprice might suggest.*—*Ib., p. 476.*

The governor or deputy-governor, one of whom is always supposed to be in the house, assisted by a select committee of three directors, conducts the daily business, in the intervals between the sittings of the court. The treasury committee consist of the governor and deputy-governor, the directors who have passed the chair, and the gentleman next in rotation for the deputy-governorship. The bullion is purchased by the governor, who considers he has no power to refuse the issue of notes in return for gold bullion, as a paper currency, founded upon gold, is the main object of the institution. He does not regulate the price of bullion, which is bought at £3 17s. 9d., and sold at £3 17s. 10½d. It was formerly at £3 17s. 6d., but government considered this too low, and suggested the existing price.

When gold coin is demanded in large quantities, it may be delivered in bags to almost any amount in the course of a day. But the largest amount that can be paid in one day by about twenty-five clerks, if counted by hand to the public, would be about £50,000. When large sums are applied for by bankers or others, the practice of the tellers is to count twenty-five sovereigns,* and put them into one scale, then to count twenty-five more, and put them into the other scale; and if the accuracy of the scales be proved by their balancing, the sum is increased in each scale by counting to two hundred. The balance is again tested, and if found exact, one of the scales is emptied, and the two hundred sovereigns in the other serve as a weight the whole day for delivery, without further counting, of sums divisible into two hundred. In this way, a thousand sovereigns can be delivered in a few minutes; and upwards of £300,000 were paid to bankers and others on the 14th of May, 1832.

The amount of £500, which entitles to a vote, must have been in the name of the proprietor for more than six calendar months.

The chapter with which this volume concludes might have been increased to an almost indefinite extent. A brief sketch, however, of the building machinery, and action of the corporation, is all that the writer deems necessary to accompany the present history of the origin and progress of the Bank of England.

* In England, for 234 years after the Norman conquest, a pound in money was also a pound in weight; or, which is the same thing, a pound weight of silver was coined into 20 shillings. In the reign of EDWARD I. the standard was, for the first time, changed, and, having been once violated, it was gradually debased, until, in 1601, in the reign of QUEEN ELIZABETH, 62 shillings were coined out of a pound. This was a reduction of above two-thirds in the standard; so that all the stipulations in contracts entered into in the reigns immediately subsequent to the conquest might, in 1601, and since, be legally discharged by the payment of less than one-third of the sum that had been really bargained for. And yet the standard has been less degraded in England than in any other country. In France, the livre, or pound in tale, contained, in the reign of CHARLEMAGNE, precisely a pound weight of pure silver; but, by successive degradations, it contained, at the commencement of the French revolution, only one-sixth of an ounce, or one seventy-second part of a pound of silver. In Scotland the pound weight of silver, which had, previously to 1296, been coined into one pound or 20 shillings, was in 1601 coined into 36 pounds or 720 shillings. The Spanish coin, called a maravedi, which, in 1220, weighed 84 grains of gold, and of course must have been worth about 14 shillings of our present money, is now become a small copper coin, equal only to about 43-272 of an English penny.—*Edinburgh Review*, July, 1821, p. 469.

APPENDIX.

BANK SHARES, BANK DIVIDENDS, CONSOLS.

Tabular Statement, showing the lowest and highest market rate of the Bank of England shares, from 1731 to 1860; the rate of bank dividends semi-annually during the same period, and the lowest and highest prices of consols during each year:

	<i>Bank Shares.</i>		<i>Bank Dividends.</i>		<i>Consols.</i>			
	<i>Lowest.</i>	<i>Highest.</i>	<i>March.</i>	<i>Septem.</i>	<i>Lowest.</i>	<i>Highest.</i>		
1731,....	..	..	....	3	2½	....	94	99
1732,....	109	152	....	3	2½	....	96	101
1733,....	130	151	....	2¾	2½	....	92	103
1734,....	132	140	....	2¾	2½	....	90	94
1735,....	138	146	....	2¾	2½	....	92	98
1736,....	148	151	....	2¾	2½	....	100	103
1737,....	142	151	....	2¾	2½	....	105	107
1738,....	140	145	....	2¾	2½	....	102	106
1739,....	115	144	....	2¾	2½	....	97	105
1740,....	138	144	....	2¾	2½	....	98	101
1741,....	135	143	....	2¾	2½	....	98	101
1742,....	136	143	....	2¾	2½	....	98	102
1743,....	145	148	....	2¾	2½	....	100	103
1744,....	116	148	....	2¾	2½	....	90	99
1745,....	133	147	....	2¾	2½	....	85	92
1746,....	125	136	....	2¾	2½	....	75	89
1747,....	119	129	....	2½	2½	....	81	86
1748,....	117	129	....	2½	2½	....	76	91
1749,....	128	140	....	2½	2½	....	91	102
1750,....	131	136	....	2½	2½	....	98	101
1751,....	135	142	....	2½	2½	....	97	103
1752,....	141	149	....	2½	2½	....	101	106
				<i>April.</i>	<i>October.</i>			
1753,....	135	144	....	2½	2½	....	104	106
1754,....	130	135	....	2½	2½	....	102	104
1755,....	119	162	....	2½	2½	....	90	101
1756,....	114	121	....	2½	2½	....	88	90
1757,....	115	120	....	2½	2½	....	86	91
1758,....	116	123	....	2½	2½	....	89	98
1759,....	109	123	....	2½	2½	....	79	88
1760,....	101	114	....	2½	2½	....	76	83
1761,....	98	116	....	2½	2½	....	66	88
1762,....	91	119	....	2½	2½	....	63	87

History of the Bank of England.

	Bank Shares.		Bank Dividends.		Consols.			
	Lowest.	Highest.	April.	October.	Lowest.	Highest.		
1763,....	111	131	....	2½	2½	....	82	96
1764,....	112	127	....	2½	2½	....	80	86
1765,....	126	136	....	2½	2½	....	85	91
1766,....	135	139	....	2½	2½	....	87	90
1767,....	142	159	....	2½	2½	....	87	91
1768,....	158	190	....	2½	2½	....	88	93
1769,....	149	175	....	2½	2½	....	84	89
1770,....	105	153	....	2½	2½	....	78	87
1771,....	134	155	....	2½	2½	....	81	88
1772,....	144	153	....	2½	2½	....	87	95
1773,....	139	143	....	2½	2½	....	86	87
1774,....	139	146	....	2½	2½	....	86	89
1775,....	141	146	....	2½	2½	....	87	90
1776,....	134	143	....	2½	2½	....	81	90
1777,....	128	138	....	2½	2½	....	76	80
1778,....	107	120	....	2½	2½	....	61	72
1779,....	106	118	....	2½	2½	....	59	64
1780,....	109	116	....	2½	2½	....	60	63
1781,....	105	119	....	2½	3	....	56	59
1782,....	109	124	....	3	3	....	53	61
1783,....	112	134	....	3	3	....	58	68
1784,....	110	118	....	3	3	....	54	57
1785,....	111	142	....	3	3	....	55	71
1786,....	138	158	....	3	3	....	*	..
1787,....	145	160	....	3	3	....	69	78
1788,....	158	178	....	3½	3½	....	*	..
1789,....	169	191	....	3½	3½	....	71½	81½
1790,....	164	188	....	3½	3½	....	70½	80½
1791,....	178	204	....	3½	3½	....	75½	89½
1792,....	171	219	....	3½	3½	....	72½	97½
1793,....	161	180	....	3½	3½	....	70½	81
1794,....	153	169	....	3½	3½	....	62½	72½
1795,....	152	180	....	3½	3½	....	61	70½
1796,....	142	180	....	3½	3½	....	53½	70½
1797,....	115	146	....	3½	3½	....	47½	56½
1798,....	118	138	....	3½	3½	....	47½	58
1799,....	134	176	....	3½	3½	....	52½	69
1800,....	154	175	....	3½	3½	....	60	67½
1801,....	148	190	....	3½	3½	....	54½	70
1802,....	178	207	....	3½	3½	....	66	79
1803,....	136	193	....	3½	3½	....	50½	73
1804,....	146	169	....	3½	3½	....	53½	58½
1805,....	167	197	....	3½	3½	....	57	62
1806,....	191	223	....	3½	3½	....	58½	64½
1807,....	208	235	....	5	5	....	57½	64½
1808,....	224	240	....	5	5	....	62½	69½
1809,....	225	288	....	5	5	....	63½	70½
1810,....	273	276	....	5	5	....	63½	71
1811,....	229	251	....	5	5	....	61½	66½
1812,....	212	232	....	5	5	....	55½	63
1813,....	211	242	....	5	5	....	54½	67½
1814,....	234	266	....	5	5	....	61½	72½
1815,....	219	262	....	5	5	....	53½	65½
1816,....	215	262	....	5	5	....	59½	64½
1817,....	220	294	....	5	5	....	62	84½
1818,....	207	292	....	5	5	....	73	82
1819,....	210	267	....	5	5	....	64½	79

	Bank Shares.		Bank Dividends.		Consols.			
	Lowest.	Highest.	April.	October.	Lowest.	Highest.		
1820,....	215	226	....	5	5	....	65 $\frac{5}{8}$	70 $\frac{1}{2}$
1821,....	221	240	....	5	5	....	68 $\frac{1}{2}$	78 $\frac{1}{2}$
1822,....	235	252	....	5	5	....	75 $\frac{5}{8}$	83
1823,....	204	246	....	4	4	....	72	85 $\frac{1}{2}$
1824,....	227	245	....	4	4	....	84 $\frac{1}{2}$	90 $\frac{1}{2}$
1825,....	196	299	....	4	4	....	75	94 $\frac{1}{2}$
1826,....	193	223	....	4	4	....	73 $\frac{1}{2}$	84 $\frac{1}{2}$
1827,....	200	217	....	4	4	....	76 $\frac{1}{2}$	89 $\frac{1}{2}$
1828,....	203	215	....	4	4	....	80 $\frac{1}{2}$	88 $\frac{1}{2}$
1829,....	208	218	....	4	4	....	85 $\frac{5}{8}$	94 $\frac{1}{2}$
1830,....	194	203	....	4	4	....	77 $\frac{1}{2}$	94 $\frac{1}{2}$
1831,....	189	204	....	4	4	....	74 $\frac{1}{2}$	84 $\frac{1}{2}$
1832,....	185	208	....	4	4	....	81 $\frac{5}{8}$	85 $\frac{1}{2}$
1833,....	190	213	....	4	4	....	84 $\frac{1}{2}$	91 $\frac{1}{2}$
1834,....	211	225	....	4	4	....	87 $\frac{1}{2}$	93
1835,....	208	225	....	4	4	....	89 $\frac{1}{2}$	92 $\frac{1}{2}$
1836,....	199	219	....	4	4	....	86 $\frac{5}{8}$	92 $\frac{1}{2}$
1837,....	203	212	....	4	4	....	87 $\frac{1}{2}$	93 $\frac{1}{2}$
1838,....	201	208	....	4	4	....	90 $\frac{5}{8}$	95 $\frac{1}{2}$
1839,....	177	206	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	89 $\frac{1}{2}$	93 $\frac{1}{2}$
1840,....	156	179	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	85 $\frac{1}{2}$	93 $\frac{1}{2}$
1841,....	157	173	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	87 $\frac{1}{2}$	90 $\frac{1}{2}$
1842,....	165	173	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	88 $\frac{1}{2}$	95 $\frac{1}{2}$
1843,....	172	185	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	92 $\frac{1}{2}$	97 $\frac{1}{2}$
1844,....	185	211	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	96 $\frac{1}{2}$	101 $\frac{1}{2}$
1845,....	199	215	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	91 $\frac{1}{2}$	100 $\frac{5}{8}$
1846,....	199	211	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	93 $\frac{1}{2}$	97 $\frac{1}{2}$
1847,....	180	206 $\frac{1}{2}$	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	78 $\frac{1}{2}$	94
1848,....	183	202	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	79 $\frac{1}{2}$	90
1849,....	188 $\frac{1}{2}$	200	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	85 $\frac{1}{2}$	97 $\frac{5}{8}$
1850,....	203	216	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	93	98 $\frac{1}{2}$
1851,....	210	216 $\frac{1}{2}$	....	3 $\frac{1}{2}$	3 $\frac{1}{2}$	....	95 $\frac{1}{2}$	99 $\frac{1}{2}$
1852,....	215 $\frac{1}{2}$	234 $\frac{1}{2}$	....	3 $\frac{1}{2}$	4	....	95 $\frac{7}{8}$	101 $\frac{1}{2}$
1853,....	208	230 $\frac{1}{2}$	....	4	4	....	90 $\frac{1}{2}$	101
1854,....	204 $\frac{1}{2}$	221	....	4	4	....	85 $\frac{1}{2}$	96 $\frac{1}{2}$
1855,....	207	218	....	4	4	....	86 $\frac{1}{2}$	93 $\frac{7}{8}$
1856,....	207	220	....	4	4	....	90	96
1857,....	209	222	....	4	4	....	87 $\frac{1}{2}$	94 $\frac{1}{2}$
1858,....	217	230	....	4 $\frac{1}{2}$	4 $\frac{1}{2}$	....	94 $\frac{5}{8}$	98 $\frac{5}{8}$
1859,....	215	231	....	4 $\frac{1}{2}$	4 $\frac{1}{2}$	....	93	96 $\frac{1}{2}$
1860,....	225	235 $\frac{1}{2}$	....	4 $\frac{1}{2}$	4 $\frac{1}{2}$	....	92 $\frac{1}{2}$	95 $\frac{7}{8}$
1861,....	226 $\frac{1}{2}$	241	....	4 $\frac{1}{2}$	4 $\frac{1}{2}$	....	89 $\frac{1}{2}$	94 $\frac{1}{2}$

BONUSES ON BANK OF ENGLAND STOCK FROM 1799 TO 1847.

1799,.....	£ 10	per cent. on the capital.	In Navy	5 per cents.
1801,.....	5	"	"	"
1802,.....	2 $\frac{1}{2}$	"	"	"
1804,.....	5	"	"	In money.
1805,.....	5	"	"	"
1806,.....	5	"	"	"
1816,.....	25	"	"	In Bank Stock.
1847,.....	1	"	"	In money.

BANK OF ENGLAND STOCK DIVIDENDS FROM 1694 TO 1729.

		Per Cent.	£ 8		Per Cent.
From 1694 to 1697,				29th September,	1713 .. 4
per cent. per annum, payable				25th March,	1714 .. 4
quarterly.				29th September,	1714 .. 4
10th September,	1698 ..	7		25th March,	1715 .. 3½
9th March,	1699 ..	4½		29th September,	1715 .. 4
20th September,	1699 ..	5		25th March,	1716 .. 4
25th March,	1700 ..	5½		29th September,	1716 .. 4
29th September,	1700 ..	5½		25th March,	1717 .. 4
25th March,	1701 ..	4½		29th September,	1717 .. 4
29th September,	1701 ..	4½		25th March,	1718 .. 4
25th March,	1702 ..	4¾		29th September,	1718 .. 4
29th September,	1702 ..	7½		25th March,	1719 .. 4
25th March,	1703 ..	7½		29th September,	1719 .. 3½
29th September,	1703 ..	9		25th March,	1720 .. 3½
25th March,	1704 ..	7½		29th September,	1720 .. 4
29th September,	1704 ..	8½		25th March,	1721 .. 3
25th March,	1705 ..	8½		29th September,	1721 .. 3
29th September,	1705 ..	7		25th March,	1722 .. 3
25th March,	1706 ..	10½		29th September,	1722 .. 3
29th September,	1706 ..	7¾		25th March,	1723 .. 3
25th March,	1707 ..	3¾		29th September,	1723 .. 3
29th September,	1707 ..	4		25th March,	1724 .. 3
25th March,	1708 ..	4½		29th September,	1724 .. 3
29th September,	1708 ..	8½		25th March,	1725 .. 3
25th March,	1709 ..	4½		29th September,	1725 .. 3
29th September,	1709 ..	4		25th March,	1726 .. 3
25th March,	1710 ..	4		29th September,	1726 .. 3
29th September,	1710 ..	3½		25th March,	1727 .. 3
25th March,	1711 ..	3½		29th September,	1727 .. 3
29th September,	1711 ..	3½		25th March,	1728 .. 2¾
25th March,	1712 ..	4		29th September,	1728 .. 2¾
29th September,	1712 ..	4		25th March,	1729 .. 2¾
25th March,	1713 ..	4		29th September,	1729 .. 2¾

The bank dividends which, from 1788 to 1806, were steady at seven per cent. per annum, indicated, in the year 1807, the large profits made by means of the enlarged business of the bank, the loans having increased in bulk from £16,838,000 in 1797 to £44,558,000 in the year 1815. From 1807 to 1822, the dividends declared were regularly ten per cent. per annum, instead of six or seven; and from 1799 to 1816, (under suspension all the time,) the bonuses or *extra* dividends were 57½ per cent., or £57 10s. to each £100 share. (*See page 313.*)

The market price of shares which, in 1797, had declined to 115 @ 146, advanced in 1809 and 1817 to 288 @ 294.

THE LONDON JOINT-STOCK BANKS.

THE increase in the number and business of the joint-stock banks of London since 1838 has been remarkable. Banking operations for the year 1861, in London, have been steady, safe and profitable. That the latter has been the case is abundantly shown by the recent reports of these establishments, for they all seem to have partaken of the general prosperity. The most remarkable statement is that exhibited by the London and Westminster Bank, whose report shows a gross profit for the half-year of no less than £167,510. The directors have declared a dividend and bonus at the rate of 24 per cent. per annum on a capital of £1,000,000. The London Joint-Stock Bank also declared a dividend and bonus equal to 25 per cent. per annum on a capital of £600,000. Assuming that these profits continue for only four years, the original shareholders of the London Joint-Stock Bank will receive in that period, in dividends and bonuses, an amount equal to the whole of their capital, whilst, at the same time, their joint-stock fund or capital in the bank will remain intact. Such results are certainly unexampled in the history of banking.

It is not supposed that the increase in the business of joint-stock banks is to be attributed solely, or even mainly, to the removal of accounts to them from previously existing establishments. It arises mainly from the creation of new banking business through the extended operations of commerce. We cannot better illustrate this than by showing, in a tabular form, the gradual increase of the deposits and current accounts in the metropolitan joint-stock banks from their foundation, to the 31st of December, 1861 :

YEARS.	London and Westminster.	London Joint-Stock.	London and County.	Union.	Commercial.	City.	Bank of London.	Unity
	£	£	£	£	£	£	£	£
1834.....	180,380	.....	.....	.....	.....	.....	.....	.....
1835.....	266,884	.....	.....	.....	.....	.....	.....	.....
1836.....	648,332	.....	.....	.....	.....	.....	.....	.....
1837.....	793,148	594,101	.....	.....	.....	.....	.....	.....
1838.....	1,387,855	1,145,421	186,477	.....	.....	.....	.....	.....
1839.....	1,266,845	1,035,088	351,275	.....	.....	.....	.....	.....
1840.....	1,361,545	1,170,893	497,995	377,755	.....	.....	.....	.....
1841.....	1,499,328	1,403,188	531,279	503,550	168,977	.....	.....	.....
1842.....	2,087,757	1,771,739	858,802	745,988	246,824	.....	.....	.....
1843.....	2,209,624	2,046,285	996,082	956,467	216,948	.....	.....	.....
1844.....	2,676,741	2,245,330	1,231,412	1,591,230	239,622	.....	.....	.....
1845.....	3,590,014	2,460,475	1,489,738	2,012,548	500,728	.....	.....	.....
1846.....	3,280,364	2,446,017	1,588,585	2,170,310	440,721	.....	.....	.....
1847.....	2,738,758	1,971,912	1,225,120	2,510,064	409,995	.....	.....	.....
1848.....	3,089,659	2,328,056	1,354,730	2,644,728	406,217	.....	.....	.....
1849.....	3,639,623	2,792,507	1,675,494	2,835,617	541,804	.....	.....	.....
1850.....	3,969,648	2,949,569	2,030,238	2,968,563	612,596	.....	.....	.....
1851.....	4,677,298	3,157,575	2,465,768	3,094,316	764,541	.....	.....	.....
1852.....	5,581,706	3,591,506	3,231,603	4,268,438	964,177	.....	.....	.....
1853.....	6,259,540	5,010,623	3,417,130	4,378,731	1,246,824	.....	.....	.....
1854.....	7,177,244	6,161,154	3,779,944	7,081,477	1,265,993	.....	.....	.....
1855.....	8,744,095	6,241,594	4,448,359	8,363,460	1,317,554	.....	.....	.....
1856.....	11,438,461	7,224,527	3,543,824	9,045,606	1,536,361	944,475	.....	.....
1857.....	13,889,021	10,737,580	3,533,425	9,645,913	821,626	1,388,933	1,114,846	139,744
1858.....	11,465,815	9,367,722	4,264,126	10,146,365	902,884	1,749,747	1,300,902	106,718
1859.....	11,115,697	9,556,797	4,975,029	9,318,391	926,314	2,222,976	1,599,140	140,734
1860.....	12,484,454	10,562,658	5,532,614	10,352,703	905,624	2,463,560	1,697,389	136,179
1861.....	15,384,735	11,381,757	6,909,629	11,795,231	.....	3,206,751	1,927,907	177,263

These banks in 1860 were eight in number, but now reduced to seven, the Commercial Bank having been merged in the London and Westminster Bank.

The whole are as follow :

<i>Commenced.</i>		<i>Commenced.</i>	
London and Westminster Bank, .	1834	Commercial Bank,	1841
London and Joint-Stock Bank, . . .	1837	City Bank,	1856
London and County Bank,	1838	Bank of London,	1857
Union Bank,	1840	Unity Bank,	1857

The constant growth of these establishments appears clearly enough, from even a cursory glance at the figures. It will be seen that in every instance (except, of course, the Commercial Bank, which is defunct,) the sums now lodged exhibit a large increase over every former period. The aggregate in the seven banks is now £50,783,353, being £7,548,496 more than at the corresponding period of the previous year. The annexed statement shows at a glance the proportion in which the increase has been distributed to each bank :

	<i>Dec. 31, 1861.</i>		<i>Dec. 30, 1860.</i>		<i>Increase.</i>
London and Westminster,	£ 15,384,785	..	£ 12,484,454	..	£ 2,900,331
London and Joint-Stock,	11,381,757	..	10,562,658	..	819,099
London and County,	6,909,629	..	5,532,614	..	1,377,015
Union,	11,795,231	..	10,352,703	..	1,442,528
City,	3,206,781	..	2,468,560	..	738,221
Bank of London,	1,927,907	..	1,697,389	..	230,518
Unity,	177,263	..	136,179	..	41,084
Total,	£ 50,783,353	..	£ 43,234,857	..	£ 7,548,496

These fifty millions of deposits form a vast and almost *new* money power, the application of which must be watched with the greatest possible care, from the powerful and increasing influence which it exercises upon the welfare of the body commercial.

This increase may be further illustrated by the following table, showing the number of banks, and their aggregate deposits at intervals of five years, with the deposits of the Bank of England for the same period :

	<i>No. of Joint-Stock Banks.</i>	<i>Joint-Stock Deposits.</i>	<i>Bank of England Deposits.</i>
1835,	1	£ 266,000	.. . . . £10,071,000
1840,	4	3,348,000	.. February, 6,556,000
1845,	5	10,053,000	.. June, 16,500,000
1850,	5	12,525,000	.. January, 20,000,000
1855,	5	29,109,000	.. September, 19,600,000
1861,	7	50,783,000	.. . . .

In April, 1860, a fraud of £263,000 upon the Union Bank of London, by WILLIAM GEORGE PULLINGER, one of its cashiers, was discovered.

TABULAR STATEMENT

Showing the Circulation, Deposits, Loans, Bullion Reserve, and Rest (Surplus Profits) of the Bank of England at the close of February, each year, from 1778 to 1840, and at the end of March, from 1841 to 1844.

	LIABILITIES.		ASSETS.		
	Circulation.	Deposits.	Loans.	Bullion.	Surplus.
1778.....	£ 7,440,000	£ 4,662,000	.. £ 11,221,000	£ 2,011,000	£ 1,129,000
1779.....	9,013,000	4,358,000	.. 10,936,000	3,711,000	1,276,000
1780.....	8,411,000	4,724,000	.. 10,901,000	3,581,000	1,347,000
1781.....	7,092,000	5,797,000	.. 11,186,000	3,280,000	1,577,000
1782.....	8,029,000	6,130,000	.. 13,794,000	2,158,000	1,793,000
1783.....	7,675,000	4,465,000	.. 12,796,000	1,321,000	1,977,000
1784.....	6,203,000	3,904,000	.. 11,619,000	6,556,000	2,168,000
1785.....	5,923,000	6,669,000	.. 12,173,000	2,740,000	2,321,000
1786.....	7,582,000	6,152,000	.. 10,353,000	5,979,000	2,599,000
1787.....	8,330,000	5,902,000	.. 11,359,000	5,627,000	2,754,000
1788.....	9,561,000	5,177,000	.. 11,865,000	5,743,000	2,870,000
1789.....	9,307,000	5,537,000	.. 10,961,000	7,229,000	2,845,000
1790.....	10,041,000	6,223,000	.. 10,332,000	8,633,000	2,701,000
1791.....	11,439,000	6,365,000	.. 12,603,000	7,869,000	2,668,000
1792.....	11,307,000	5,523,000	.. 13,069,000	6,468,000	2,706,000
1793.....	11,889,000	5,346,000	.. 16,005,000	4,011,000	2,781,000
1794.....	10,744,000	7,892,000	.. 14,525,000	6,987,000	2,876,000
1795.....	14,018,000	5,973,000	.. 16,811,000	6,127,000	2,949,000
1796.....	10,730,000	5,702,000	.. 17,140,000	2,539,000	3,248,000
1797.....	9,675,000	4,892,000	.. 16,838,000	1,086,000	3,358,000
1798.....	13,096,000	6,149,000	.. 16,800,000	5,829,000	3,384,000
1799.....	12,960,000	8,132,000	.. 17,039,000	7,564,000	3,511,000
1800.....	16,844,000	7,063,000	.. 21,424,000	6,144,000	3,661,000
1801.....	16,213,000	10,746,000	.. 26,425,000	4,640,000	4,106,000
1802.....	15,187,000	6,858,000	.. 21,960,000	4,153,000	4,068,000
1803.....	15,320,000	8,050,000	.. 23,915,000	3,777,000	4,321,000
1804.....	17,078,000	8,677,000	.. 26,999,000	3,372,000	4,616,000
1805.....	17,871,000	12,084,000	.. 28,661,000	5,884,000	5,590,000
1806.....	17,730,000	9,981,000	.. 26,591,000	5,987,000	4,867,000
1807.....	16,951,000	11,829,000	.. 27,408,000	6,143,000	4,771,000
1808.....	18,189,000	11,962,000	.. 27,384,000	7,855,000	5,089,000
1809.....	18,543,000	9,983,000	.. 29,118,000	4,489,000	5,081,000
1810.....	21,020,000	12,457,000	.. 35,379,000	3,501,000	5,403,000
1811.....	23,360,000	11,446,000	.. 37,122,000	3,350,000	5,667,000
1812.....	23,408,000	11,595,000	.. 38,026,000	2,983,000	6,006,000
1813.....	23,211,000	11,268,000	.. 37,931,000	2,884,000	6,336,000
1814.....	24,801,000	12,455,000	.. 41,990,000	2,204,000	6,937,000
1815.....	27,262,000	11,702,000	.. 44,558,000	2,037,000	7,632,000
1816.....	27,013,000	12,389,000	.. 43,401,000	4,641,000	8,640,000
1817.....	27,398,000	10,826,000	.. 34,279,000	9,681,000	5,736,000
1818.....	27,771,000	7,998,000	.. 30,905,000	10,055,460	5,192,000
1819.....	25,127,000	6,413,000	.. 31,455,000	4,185,000	4,100,000
1820.....	23,484,000	4,094,000	.. 26,187,000	4,911,000	3,521,000
1821.....	23,885,000	5,623,000	.. 20,796,000	11,870,000	3,158,000
1822.....	18,665,000	4,690,000	.. 15,973,000	11,057,000	3,675,000
1823.....	18,392,000	7,181,000	.. 18,320,000	10,384,000	3,131,000
1824.....	19,737,000	10,098,000	.. 18,872,000	13,810,000	2,847,000

History of the Bank of England.

	LIABILITIES.		ASSETS.		
	<i>Circulation.</i>	<i>Deposits.</i>	<i>Loans.</i>	<i>Bullion.</i>	<i>Surplus.</i>
1825,.....	£ 20,754,000	£ 10,169,000	.. £ 24,951,000	£ 8,779,000	£ 2,808,000
1826,.....	25,468,000	6,936,000	.. 32,919,000	2,460,000	2,974,000
1827,.....	21,891,000	8,802,000	.. 23,530,000	10,159,000	2,996,000
1828,.....	21,981,000	9,198,000	.. 23,581,000	10,347,000	2,750,000
1829,.....	19,871,000	9,554,000	.. 25,385,000	6,835,000	2,795,000
1830,.....	20,051,000	10,763,000	.. 24,204,000	9,171,000	2,562,000
1831,.....	19,600,000	11,214,000	.. 25,209,000	8,217,000	2,612,000
1832,.....	18,052,000	8,937,000	.. 24,333,000	5,293,000	2,638,000
1833,.....	19,372,000	12,455,000	.. 23,850,000	10,205,000	2,228,000
1834,.....	19,050,000	13,087,000	.. 25,212,000	9,225,000	2,300,000
1835,.....	18,510,000	10,071,000	.. 24,895,000	6,289,000	2,603,000
1836,.....	18,195,000	13,985,000	.. 27,208,000	7,918,000	2,946,000
1837,.....	18,165,000	10,007,000	.. 27,297,000	4,077,000	3,202,000
1838,.....	18,975,000	10,825,000	.. 21,958,000	10,471,000	2,629,000
1839,.....	18,098,000	7,739,000	.. 21,741,000	6,773,000	2,677,000
1840,.....	16,504,000	6,556,000	.. 21,611,000	4,311,000	2,862,000
1841,.....	16,537,000	7,212,000	.. 22,328,000	4,339,000	2,918,000
1842,.....	16,952,000	8,657,000	.. 22,586,000	6,125,000	3,102,000
1843,.....	20,093,000	12,003,000	.. 23,830,000	11,054,000	2,788,000
1844,.....	21,122,000	13,972,000	.. 22,479,000	15,784,000	3,169,000

The principal feature in the preceding tables, which claims the consideration of the banker and the legislator, is the rapid and enormous increase in the circulation of the bank and in its deposits, from the time of suspension, (1797,) to the period when resumption was seriously debated, (1816–1817.) Thus, the banks, with an aggregate circulation of £9,675,000, and deposits amounting to £4,892,000, at the time of its suspension in 1797, added one-third to the circulation the next year, and nearly seventy-five per cent. during the third year, (1800.) A larger aggregate was reached in 1804–1806; the deposits, at the same time, increasing one hundred and fifty per cent. In 1810, the circulation reached a yet larger sum, (£21,020,000,) being more than double the amount in 1797. From 1811 to 1818 the increase continued, until, in the latter year, the amount was nearly threefold that of 1797; making, with the deposits, in the year 1815, a combined cash or demand liability of £38,962,000.

The bullion reserve during this long period of twenty years had ranged from £1,086,000 (1797) to £7,855,000, (1808,) and finally reached £9,681,000 in 1817, at the expiration of twenty years.

THE ORIGIN OF THE BANK OF ENGLAND.

BY T. BABINGTON MACAULAY.

From MACAULAY'S fourth volume of the History of England.

I. FINANCIAL DIFFICULTIES OF THE YEAR 1693. II. THE LOTTERY LOAN. III. PRIVATE BANKERS OF THE SEVENTEENTH CENTURY. IV. OPPOSITION TO THE PRIVATE BANKING SYSTEM. V. FIRST SUGGESTIONS FOR A NATIONAL BANK. VI. THE LAND BANK. VII. INSECURITY OF LAND AS A BASIS OF CURRENCY. VIII. WILLIAM PATERSON, THE ORIGINATOR OF THE BANK OF ENGLAND. IX. HIS PLAN FOR A BANK. X. CONSUMMATION OF THE ACT—ITS COMPLETE SUCCESS.

MEANWHILE the Commons were busied with financial questions of grave importance. The estimates for the year 1694 were enormous. The king proposed to add to the regular army, already the greatest regular army that England had ever supported, four regiments of dragoons, eight of horse, and twenty-five of infantry. The whole number of men, officers included, would thus be increased to about ninety-four thousand. CROMWELL, while holding down three reluctant kingdoms, and making vigorous war on Spain in Europe and America, had never had two-thirds of the military force which WILLIAM now thought necessary. The great body of the Tories, headed by three Whig chiefs, HARLEY, FOLEY and HOWE, opposed any augmentation. The great body of the Whigs, headed by MONTAGUE and WHARTON, would have granted all that was asked. After many long discussions, and probably many close divisions, in the Committee of Supply, the king obtained the greater part of what he demanded. The House allowed him four new regiments of dragoons, six of horse, and fifteen of infantry. The whole number of troops voted for the year amounted to eighty-three thousand, the charge to more than two millions and a half, including about two hundred thousand pounds for the ordnance.

The naval estimates passed much more rapidly; for Whigs and Tories agreed in thinking that the maritime ascendancy of England ought to be maintained at any cost. Five hundred thousand pounds were voted for paying the arrears due to seamen, and two millions for the expenses of the year 1694.

The Commons then proceeded to consider the Ways and Means. The land tax was renewed at four shillings in the pound; and by this simple but powerful machinery about two millions were raised with certainty and dispatch. A poll-tax was imposed. Stamp duties had long been among the fiscal resources of Holland and France, and had existed here during part of the reign of CHARLES II., but had been suffered to expire. They were now revived; and they have ever since formed an important part of the revenue of the State. The hackney-coaches of the capital were taxed, and were placed under the government of commissioners, in spite of the resistance of the wives of the coachmen, who assembled round Westminster Hall and mobbed the members. But, notwithstanding all these expe-

dients, there was still a large deficiency ; and it was again necessary to borrow. A new duty on salt and some other imposts of less importance were set apart to form a fund for a loan. On the security of this fund a million was to be raised by a lottery, but a lottery which had scarcely any thing but the name in common with the lotteries of a later period. The sum to be contributed was divided into a hundred thousand shares of ten pounds each. The interest on each share was to be twenty shillings annually, or, in other words, ten per cent., during sixteen years. But ten per cent. for sixteen years was not a bait which was likely to attract lenders. An additional lure was, therefore, held out to capitalists. On one fortieth of the shares much higher interest was to be paid than on the other thirty-nine fortieths. Which of the shares should be prizes was to be determined by lot. The arrangements for the drawing of the tickets were made by an adventurer of the name of NEALE, who, after squandering away two fortunes, had been glad to become groom porter at the palace. His duties were to call the odds when the court played at hazard, to provide cards and dice, and to decide any dispute which might arise on the bowling-green or at the gaming-table. He was eminently skilled in the business of this not very exalted post, and had made such sums by raffles that he was able to engage in very costly speculations, and was then covering the ground round the Seven Dials with buildings. He was probably the best adviser that could have been consulted about the details of a lottery. Yet there were not wanting persons who thought it hardly decent in the Treasury to call in the aid of a gambler by profession.

By the lottery loan, as it was called, one million was obtained. But another million was wanted to bring the estimated revenue for the year 1694 up to a level with the estimated expenditure. The ingenious and enterprising MONTAGUE had a plan ready, a plan to which, except under the pressure of extreme pecuniary difficulties, he might not easily have induced the Commons to assent, but which, to his large and vigorous mind, appeared to have advantages, both commercial and political, more important than the immediate relief to the finances. He succeeded, not only in supplying the wants of the State for twelve months, but in creating a great institution, which, after the lapse of more than a century and a half, continues to flourish, and which he lived to see the stronghold, through all vicissitudes, of the Whig party, and the bulwark, in dangerous times, of the Protestant succession.

In the reign of WILLIAM old men were still living who could remember that there was not a single banking-house in the city of London. So late as the time of the Restoration every trader had his own strong-box in his own house, and, when an acceptance was presented to him, told down the crowns and Caroluses on his own counter. But the increase of wealth had produced its natural effect, the subdivision of labor. Before the end of the reign of CHARLES II., a new mode of paying and receiving money had come into fashion among the merchants of the capital. A class of agents arose, whose office was to keep the cash of the commercial houses. This new branch of business naturally fell into the hands of the goldsmiths, who were accustomed to traffic largely in the precious metals, and who had vaults in which great masses of bullion could

lie secure from fire and from robbers. It was at the shops of the goldsmiths of Lombard-street that all the payments in coin were made. Other traders gave and received nothing but paper.

This great change did not take place without much opposition and clamor. Old-fashioned merchants complained bitterly that a class of men who, thirty years before, had confined themselves to their proper functions, and had made a fair profit by embossing silver bowls and chargers, by setting jewels for fine ladies, and by selling pistoles and dollars to gentlemen setting out for the continent, had become the treasurers, and were fast becoming the masters, of the whole city. These usurers, it was said, played at hazard with what had been earned by the industry and hoarded by the thrift of other men. If the dice turned up well, the knave who kept the cash became an alderman; if they turned up ill, the dupe who furnished the cash became a bankrupt. On the other side, the conveniences of the modern practice were set forth in animated language. The new system, it was said, saved both labor and money. Two clerks, seated in one counting-house, did what, under the old system, must have been done by twenty clerks in twenty different establishments. A goldsmith's note might be transferred ten times in a morning; and thus a hundred guineas, locked in his safe, close to the exchange, did what would formerly have required a thousand guineas, dispersed through many tills, some on Ludgate Hill, some in Austin Friars, and some in Tower-street.*

Gradually, even those who had been loudest in murmuring against the innovation, gave way and conformed to the prevailing usage. The last person who held out, strange to say, was Sir DUDLEY NORTH. When, in 1680, after residing many years abroad, he returned to London, nothing astonished or displeased him more than the practice of making payments by drawing bills on bankers. He found that he could not go on 'Change without being followed round the piazza by goldsmiths, who, with low bows, begged to have the honor of serving him. He lost his temper when his friends asked where he kept his cash. "Where should I keep it," he asked, "but in my own house?" With difficulty he was induced to put his money into the hands of one of the Lombard-street men, as they were called. Unhappily, the Lombard-street man broke, and some of his customers suffered severely. DUDLEY NORTH only lost fifty pounds; but this loss confirmed him in his dislike of the whole mystery of banking. It was in vain, however, that he exhorted his fellow-citizens to return to the good old practice, and not to expose themselves to utter ruin in order to spare themselves a little trouble. He stood alone against the whole community. The advantages of the modern system were felt every hour of every day in every part of London; and people were no more disposed to relinquish those advantages for fear of calamities which occurred at long intervals, than to refrain from building houses for fear of fires, or from building ships for fear of hurricanes. It

* See, for example, the "Mystery of the New-fashioned Goldsmiths or Brokers, 1676;" "Is not the hand of Job in all this? 1676;" and an answer published in the same year. See, also, "England's Glory in the Great Improvement by Banking and Trade, 1694."

is a curious circumstance, that a man who, as a theorist, was distinguished from all the merchants of his time by the largeness of his views and by his superiority to vulgar prejudices, should, in practice, have been distinguished from all the merchants of his time by the obstinacy with which he adhered to an ancient mode of doing business, long after the dullest and most ignorant plodders had abandoned that mode for one better suited to a great commercial society.

No sooner had banking become a separate and important trade, than men began to discuss with earnestness the question whether it would be expedient to erect a national bank. The general opinion seems to have been decidedly in favor of a national bank; nor can we wonder at this; for few were then aware that trade is in general carried on to much more advantage by individuals than by great societies; and banking really is one of those few trades which can be carried on to as much advantage by a great society as by an individual. Two public banks had long been renowned throughout Europe, the Bank of Saint GEORGE, at Genoa, and the Bank of Amsterdam. The immense wealth which was in the keeping of those establishments, the confidence which they inspired, the prosperity which they had created, their stability, tried by panics, by wars, by revolutions, and found proof against all, were favorite topics. The Bank of Saint GEORGE had nearly completed its third century. It had begun to receive deposits and to make loans before COLUMBUS had crossed the Atlantic, before GAMA had turned the Cape, when a Christian emperor was reigning at Constantinople, when a Mahomedan Sultan was reigning at Granada, when Florence was a Republic, when Holland obeyed a hereditary prince. All these things had been changed. New continents and new oceans had been discovered. The Turk was at Constantinople; the Castilian was at Granada; Florence had its hereditary prince; Holland was a Republic; but the Bank of Saint GEORGE was still receiving deposits and making loans. The Bank of Amsterdam was little more than eighty years old; but its solvency had stood severe tests. Even in the terrible crisis of 1672, when the whole Delta of the Rhine was overrun by the French armies, when the white flags were seen from the top of the Stadthouse, there was one place where, amidst the general consternation and confusion, tranquillity and order were still to be found; and that place was the bank. Why should not the Bank of London be as great and as durable as the banks of Genoa and of Amsterdam?

Before the end of the reign of CHARLES II. several plans were proposed, examined, attacked and defended. Some pamphleteers maintained that a national bank ought to be under the direction of the king. Others thought that the management ought to be intrusted to the lord mayor, aldermen and common council of the capital.* After the revolution the subject was discussed with an animation before unknown. For, under the influence of liberty, the breed of political projectors multiplied exceedingly. A crowd of plans, some of which resemble the fancies of a child, or the dreams of a man in a fever, were pressed on the government.

* See a pamphlet entitled "Corporation Credit; or, a Bank of Credit, made Current by Common Consent in London, more Useful and Safe than Money."

Preëminently conspicuous among the political mountebanks, whose busy faces were seen every day in the lobby of the House of Commons, were JOHN BRISCOE and HUGH CHAMBERLAYNE, two projectors worthy to have been members of that academy which GULLIVER found at Lagado. These men affirmed that the one cure for every distemper of the State was a land bank. A land bank would work for England miracles such as had never been wrought for ISRAEL, miracles exceeding the heaps of quails and the daily shower of manna. There would be no taxes; and yet the exchequer would be full to overflowing. There would be no poor rates, for there would be no poor. The income of every land-owner would be doubled. The profits of every merchant would be increased. In short, the island would, to use BRISCOE'S words, be the paradise of the world. The only losers would be the moneyed men, those worst enemies of the nation, who had done more injury to the gentry and yeomanry than an invading army from France would have had the heart to do.*

These blessed effects the land bank was to produce simply by issuing enormous quantities of notes on landed security. The doctrine of the projectors was, that every person who had real property ought to have, besides that property, paper money to the full value of that property. Thus, if his estate was worth two thousand pounds, he ought to have his estate and two thousand pounds in paper money.† Both BRISCOE and CHAMBERLAYNE treated with the greatest contempt the notion that there could be an over-issue of paper as long as there was for every ten pound note a piece of land in the country worth ten pounds. Nobody, they said, would accuse a goldsmith of over-issuing as long as his vaults contained guineas and crowns to the full value of all the notes which bore his signature. Indeed, no goldsmith had in his vaults guineas and crowns to the full value of all his paper. And was not a square mile of rich land in Taunton Dean at least as well entitled to be called wealth as a bag of

* A proposal by Dr. HUGH CHAMBERLAYNE, in Essex-street, for a bank of secure current credit to be founded upon land, in order to the general good of landed men, to the great increase of the value of land, and the no less benefit of trade and commerce, 1695; Proposals for the supplying their majesties with money on easy terms, exempting the nobility, gentry, etc., from taxes, enlarging their yearly estates, and enriching all the subjects of the kingdom by a national land bank; by JOHN BRISCOE. "O fortunatus nimium bona si sua norint Anglicanos." Third edition, 1696. BRISCOE seems to have been as much versed in Latin literature as in political economy.

† In confirmation of what is said in the text, I extract a single paragraph from BRISCOE'S proposals. "Admit a gentleman hath barely £100 per annum estate to live on, and hath a wife and four children to provide for; this person, supposing no taxes were upon his estates, must be a great husband to be able to keep his charge, but cannot think of laying up any thing to place out his children in the world; but according to this proposed method he may give his children £500 a piece, and have £90 per annum left for himself and his wife to live upon, the which he may also leave to such of his children as he pleases after his and his wife's decease. For first having settled his estate of £100 per annum, as in proposals 1, 3, he may have bills of credit for £2,000 for his own proper use, for 10s. per cent. per annum, as in proposal 22, which is but £10 per annum for the £2,000, which being deducted out of his estate of £100 per annum, there remains £90 per annum clear to himself." It ought to be observed that this nonsense reached a third edition.

gold or silver? The projectors could not deny that many people had a prejudice in favor of the precious metals, and that, therefore, if the land bank were bound to cash its notes, it would very soon stop payment. This difficulty they got over by proposing that the notes should be inconvertible, and that every body should be forced to take them.

The speculations of CHAMBERLAYNE on the subject of the currency may possibly find admirers even in our own time. But to his other errors he added an error which began and ended with him. He was fool enough to take it for granted, in all his reasonings, that the value of an estate varied directly as the duration. He maintained, that if the annual income derived from a manor were a thousand pounds, a grant of that manor for twenty years must be worth twenty thousand pounds, and a grant for a hundred years worth a hundred thousand pounds. If, therefore, the lord of such a manor would pledge it for a hundred years to the land bank, the land bank might, on that security, instantly issue notes for a hundred thousand pounds. On this subject CHAMBERLAYNE was proof to ridicule, to argument, even to arithmetical demonstration. He was reminded that the fee simple of land would not sell for more than twenty years' purchase. To say, therefore, that a term of a hundred years was worth five times as much as a term of twenty years, was to say that a term of a hundred years was worth five times the fee simple; in other words, that a hundred was five times the infinity. Those who reasoned thus were refuted by being told that they were usurers; and it should seem that a large number of country gentlemen thought the refutation complete.

In December, 1693, CHAMBERLAYNE laid his plan, in all its naked absurdity, before the Commons, and petitioned to be heard. He confidently undertook to raise eight thousand pounds on every freehold estate of a hundred and fifty pounds a year which should be brought, as he expressed it, into his land bank, and this without dispossessing the freeholder.* All the squires in the House must have known that the fee simple of such an estate would hardly fetch three thousand pounds in the market. That less than the fee simple of such an estate could, by any device, be made to produce eight thousand pounds, would, it might have been thought, have seemed incredible to the most illiterate fox-hunter that could be found on the benches. Distress, however, and animosity, had made the landed gentlemen credulous. They insisted on referring CHAMBERLAYNE'S plan to a committee; and the committee reported that

* Commons' Journals, Dec. 7, 1693. I am afraid that I may be suspected of exaggerating the absurdity of this scheme. I, therefore, transcribe the most important part of the petition. "In consideration of the freeholders bringing their lands into this bank, for a fund of current credit, to be established by act of Parliament, it is now proposed that, for every £150 per annum, secured for one hundred and fifty years, for but one hundred yearly payments of £100 per annum, free from all manner of taxes and deductions whatsoever, every such freeholder shall receive £4,000 in the said current credit, and shall have £2,000 more put into the fishery stock for his proper benefit; and there may be further £2,000 reserved at the Parliament's disposal towards carrying on this present war. * * * The freeholder is never to quit the possession of his said estate unless the yearly rent happens to be in arrear."

the plan was practicable, and would tend to the benefit of the nation. But by this time the united force of demonstration and derision had begun to produce an effect even on the most ignorant rustics in the House. The report lay unnoticed on the table; and the country was saved from a calamity, compared with which the defeat of LANDEN and the loss of the Smyrna fleet would have been blessings.

All the projectors of this busy time, however, were not so absurd as CHAMBERLAYNE. One among them, WILLIAM PATERSON, was an ingenious, though not always a judicious, speculator. Of his early life little is known, except that he was a native of Scotland, and that he had been in the West Indies. In what character he had visited the West Indies was a matter about which his contemporaries differed. His friends said that he had been a missionary; his enemies, that he had been a buccaneer. He seems to have been gifted by nature with fertile invention, an ardent temperament and great powers of persuasion, and to have acquired somewhere in the course of his vagrant life a perfect knowledge of accounts.

This man submitted to the government, in 1691, a plan of a national bank; and his plan was favorably received both by statesmen and by merchants. But years passed away; and nothing was done, till, in the spring of 1694, it became absolutely necessary to find some new mode of defraying the charges of the war. Then at length the scheme devised by the poor and obscure Scottish adventurer was taken up in earnest by MONTAGUE. With MONTAGUE was closely allied MICHAEL GODFREY, the brother of that Sir EDMONSBURY GODFREY, whose sad and mysterious death had, fifteen years before, produced a terrible outbreak of popular feeling. MICHAEL was one of the ablest, most upright and most opulent of the merchant princes of London. He was, as might have been expected from his near connection with the martyr of the Protestant faith, a zealous Whig. Some of his writings are still extant, and prove him to have had a strong and clear mind.

By these two distinguished men PATERSON'S scheme was fathered. MONTAGUE undertook to manage the House of Commons, GODFREY to manage the city. An approving vote was obtained from the Committee of Ways and Means; and a bill, the title of which gave occasion to many sarcasms, was laid on the table. It was indeed not easy to guess that a bill, which purported only to impose a new duty on tonnage for the benefit of such persons as should advance money towards carrying on the war, was really a bill creating the greatest commercial institution that the world had ever seen.

The plan was, that twelve hundred thousand pounds should be borrowed by the government on what was then considered as the moderate interest of eight per cent. In order to induce capitalists to advance the money promptly on terms so favorable to the public, the subscribers were to be incorporated by the name of the Governor and Company of the Bank of England. The corporation was to have no exclusive privilege, and was to be restricted from trading in any thing but bills of exchange, bullion and forfeited pledges.

As soon as the plan became generally known, a paper war broke out as furious as that between the swearers and the non-swearers, or as that

between the Old East India Company and the New East India Company. The projectors who had failed to gain the ear of the government fell like madmen on their more fortunate brother. All the goldsmiths and pawnbrokers set up a howl of rage. Some discontented Tories predicted ruin to the monarchy. It was remarkable, they said, that banks and kings had never existed together. Banks were republican institutions. There were flourishing banks at Venice, at Genoa, at Amsterdam and at Hamburg. But who had ever heard of a Bank of France or a Bank of Spain? Some discontented Whigs, on the other hand, predicted ruin to our liberties. Here, they said, is an instrument of tyranny more formidable than the High Commission, than the Star Chamber, than even the fifty thousand soldiers of OLIVER. The whole wealth of the nation will be in the hands of the Tonnage Bank—such was the nickname then in use—and the Tonnage Bank will be in the hands of the sovereign. The power of the purse, the one great security for all the rights of Englishmen, will be transferred from the House of Commons to the governor and directors of the new company. This last consideration was really of some weight, and was allowed to be so by the authors of the bill. A clause was, therefore, most properly inserted, which prohibited the bank from advancing money to the crown without authority from Parliament. Every infraction of this salutary rule was to be punished by forfeiture of three times the sum advanced; and it was provided, that the king should not have power to remit any part of the penalty. The plan, thus amended, received the sanction of the Commons more easily than might have been expected from the violence of the adverse clamor. In truth, the Parliament was under duress. Money must be had, and could in no other way be had so easily. What took place when the House had resolved itself into a committee cannot be discovered; but while the speaker was in the chair, no division took place.

The bill, however, was not safe when it had reached the Upper House. Some lords suspected that the plan of a national bank had been devised for the purpose of exalting the moneyed interest at the expense of the landed interest. Others thought that this plan, whether good or bad, ought not to have been submitted to them in such a form. Whether it would be safe to call into existence a body which might one day rule the whole commercial world, and how such a body should be constituted, were questions which ought not to be decided by one branch of the legislature. The peers ought to be at perfect liberty to examine all the details of the proposed scheme, to suggest amendments, to ask for conferences. It was, therefore, most unfair that the law establishing the bank should be sent up as a part of a law granting supplies to the crown. The Jacobites entertained some hope that the session would end with a quarrel between the Houses, that the tonnage bill would be lost, and that WILLIAM would enter on the campaign without money. It was already May, according to the new style. The London season was over, and many noble families had left Covent Garden and Soho Square for their woods and hay-fields. But summonses were sent out. There was a violent rush back to town. The benches which had lately been deserted were crowded. The sittings began at an hour unusually early, and were prolonged to an hour unusually late. On the day on which the bill was

committed the contest lasted without intermission from nine in the morning till six in the evening. GODOLPHIN was in the chair. NOTTINGHAM and ROCHESTER proposed to strike out all the clauses which related to the bank. Something was said about the danger of setting up a gigantic corporation which might soon give law to the three estates of the realm. But the peers seemed to be most moved by the appeal which was made to them as landlords. The whole scheme, it was asserted, was intended to enrich usurers at the expense of the nobility and gentry. Persons who had laid by money would rather put it into the bank than lend it on mortgage at moderate interest. CÆRMARTHEN said little or nothing in defence of what was, in truth, the work of his rivals and enemies. He owned that there were grave objections to the mode in which the Commons had provided for the public service of the year. But would their lordships amend a money bill? Would they engage in a contest of which the end must be that they must either yield, or incur the grave responsibility of leaving the channel without a fleet during the summer? This argument prevailed; and, on a division, the amendment was rejected by forty-three votes to thirty-one. A few hours later the bill received the royal assent, and the Parliament was prorogued.

In the city the success of MONTAGUE'S plan was complete. It was then at least as difficult to raise a million at eight per cent. as it would now be to raise thirty millions at four per cent. It had been supposed that contributions would drop in very slowly; and a considerable time had, therefore, been allowed by the act. This indulgence was not needed. So popular was the new investment, that on the day on which the books were opened three hundred thousand pounds were subscribed; three hundred thousand more were subscribed during the next forty-eight hours; and, in ten days, to the delight of all the friends of the government, it was announced that the list was full. The whole sum which the corporation was bound to lend to the State was paid into the exchequer before the first instalment was due. SOMERS gladly put the great seal to a charter framed in conformity with the terms prescribed by Parliament; and the Bank of England commenced its operations in the house of the Company of Grocers. There, during many years, directors, secretaries and clerks, might be seen laboring in different parts of one spacious hall. The persons employed by the bank were originally only fifty-four. They are now nine hundred. The sum paid yearly in salaries amounted at first to only four thousand three hundred and fifty pounds. It now exceeds two hundred and ten thousand pounds. We may, therefore, fairly infer that the incomes of commercial clerks are, on an average, about three times as large in the reign of VICTORIA as they were in the reign of WILLIAM III.

It soon appeared that MONTAGUE had, by skilfully availing himself of the financial difficulties of the country, rendered an inestimable service to his party. During several generations the Bank of England was emphatically a Whig body. It was Whig, not accidentally, but necessarily. It must have instantly stopped payment if it had ceased to receive the interest on the sum which it had advanced to the government; and of that interest JAMES would not have paid one farthing. Seventeen years after the passing of the tonnage bill, ADDISON, in one of his most inge-

nious and graceful allegories, described the situation of the great company through which the immense wealth of London was constantly circulating. He saw public credit on her throne in Grocers' Hall, the great charter over her head, the act of settlement full in her view. Her touch turned every thing to gold. Behind her seat, bags filled with coin were piled up to the ceiling. On her right and on her left the floor was hidden by pyramids of guineas. On a sudden the door flies open. The Pretender rushes in, a sponge in one hand, in the other a sword which he shakes at the act of settlement. The beautiful queen sinks down fainting. The spell by which she has turned all things around her into treasure is broken. The money-bags shrink like pricked bladders. The piles of gold pieces are turned into bundles of rags or faggots of wooden tallies.* The truth which this parable was meant to convey was constantly present to the minds of the rulers of the bank. So closely was their interest bound up with the interest of the government, that the greater the public danger the more ready were they to come to the rescue. In old times, when the treasury was empty, when the taxes came in slowly, and when the pay of the soldiers and sailors was in arrear, it had been necessary for the chancellor of the exchequer to go, hat in hand, up and down Cheapside and Cornhill, attended by the lord mayor and by the aldermen, and to make up a sum by borrowing a hundred pounds from this hosier, and two hundred pounds from that ironmonger. Those times were over. The government, instead of laboriously scooping up supplies from numerous petty sources, could now draw whatever it required from an immense reservoir, which all those petty sources kept constantly replenished. It is hardly too much to say that, during many years, the weight of the bank, which was constantly in the scale of the Whigs, almost counterbalanced the weight of the church, which was as constantly in the scale of the Tories.

A few minutes after the bill which established the Bank of England had received the royal assent, the Parliament was prorogued by the king with a speech, in which he warmly thanked the Commons for their liberality. MONTAGUE was immediately rewarded for his services with the place of chancellor of the exchequer.

* Spectator, No. 3.

THE BANK OF ENGLAND.

A VISIT TO THE BANK OF ENGLAND, 1849.

From Hogg's Weekly Instructor.

WE are indebted for the following interesting account of the internal economy of the Bank of England, to HOGG'S *Instructor*—a work we have several times had occasion to commend for the excellence of its literary contents :

The bank is one of the grand points in the topography of London. Hackney-coachmen, cabmen and omnibusmen regard it as amongst the chief ports in the voyage of the great city, and draw up here as a matter of course, to set down or take up their human freight. The bank is an immense building, situated a little to the west of Cornhill, and covering an area of several acres of ground. The business now transacted in this extensive edifice was originally carried on in Grocers' Hall in the Poultry—a building which now would scarcely be sufficient to accommodate one department of this vast establishment. In 1732, the foundation-stone of the present building was laid on the site of the house and garden of Sir JOHN HOUBLON, the first governor; and the first erection only comprised what constitutes the present centre, with the courtyard, hall, and bullion court. In 1770, the eastern wing was added to the original; and in the five years ending 1804, the western wing, with the Lothbury front, was added. Since that period there have been frequent additions and alterations made in the building to suit the convenience of the business departments, or to guard against certain contingencies.

During the alarm of 1848, caused by the incoherent threats of several violent politicians in London, a parapet wall was raised all round, above the cornice, and other means were adopted to facilitate defence should an attack have been attempted. The principal entrance is from Threadneedle-street—the front having a centre eighty feet long, besides wings. The view of the bank, as a whole, is not imposing; it is isolated in its position, and in this respect is more favored than many of the splendid edifices of London; nevertheless, the diversity of plans upon which its parts have been built, has denied it that architectural integrity which seldom belongs to any edifice not the idea of one mind.

The front is composed of pillars, &c., of the Ionic order, on a rustic base; and the wings are ornamented with a colonnade. The back of the bank is in Lothbury, from which a handsome carriage-entrance leads into the outer, and then into the bullion courts.

The Bank of England, although ostensibly a public establishment, and though it does present free access to several of its places of business, is, nevertheless, carefully guarded against general intrusion; and it requires considerable interest to obtain a view of the more private apartments of this truly wonderful and most interesting establishment. We were fortu-

nate enough to have a kind and influential friend, who procured for us an order of admission from a director, and with this *carte*, which opened the way to the treasures of the greatest commercial country of the world, we presented ourselves at the bank. We were politely led to a little waiting-room by a man dressed in black pants and red vest, and wearing a brown drab coat, with a silver elliptical medal attached to his left breast, bearing the words round its edge of "Bank of England." This person took our admission-card from us, and left us alone for some minutes. At last, another official, similarly attired, presented himself, and, bowing, begged to be permitted to conduct us over the premises. Before we could be permitted to advance into the domains of England's Plutus, the admission card had to be scrutinized, then initialed on the back by a clerk. The name of the registered visitor, and the number of the party accompanying him, were required to be entered in a journal, with the name of the guide who was to lead us over the various departments; the card was then countersigned by a cashier, and we were at last admissible. Every department of manual labor connected with the business of the bank, save paper-making, is carried on within its walls, as well as the more immediate business of a money-lending, money-changing establishment; and the precision, order and regularity which pervade the whole mechanical departments, are wonderful illustrations of method and mechanical contrivance. The first room we entered was a comparatively small one, and lighted, like all the other apartments, from above. Before us, and to our left, were piles of rough-edged, thick, day-book and ledger paper, which ten persons, men, women and boys, were employed in ruling, cutting, folding and stitching. The ruling was rapidly performed by a woman and two boys, the process being most ingenious and effective. The pens or points, which conduct the ink to the paper, are made from thin sheets of brass—several points, divided according to the pattern required, being in one sheet. Those brass-pointed ink-conductors are attached to a wooden cylinder, which remains stationary, and along which, above the other pens, is stretched a piece of flannel. This flannel is saturated with coloring matter, and, as the sheet of paper to be ruled passes through two rollers, a part of it is always presented to the points, which, attracting the ink from the flannel, deposits it on the large folios, ruling the whole sheet at once. A beautiful cutting machine takes the rough edges from those folios after they are folded. The action of this machine, which is perpendicular, is regulated by a gauge, which moves the cutter backwards and forwards according to the will of the person superintending the work. The shavings from the paper are carefully preserved, and sent off to the paper mill to be returned in folios. The women who stitch the reference and other books previous to binding, sit up in a high gallery, overlooking the ruling and cutting apartment.

From this room we passed into the letter-press printing office, where three steam cylindrical presses and two hand-presses occupied the floor. The machines were splendid ones, from the manufactory of E. & E. COWPER, London and Manchester. Eight persons were at work here, setting up and throwing off, in order to supply the daily consumption of sixty folio volumes, &c., which are required for this great house of business. In passing from the

letter-press room we entered a long and narrow saloon, in which light shafts and wheels were revolving, and causing to move all the beautiful machinery in operation throughout the whole extent of the building. In this saloon was seated a person, whose sole duty it was to fold stamped letters; and, to judge by the activity of his motions, he had a good man's work of it. On the same floor with this shaft-room is the mechanical work-room, in which a planing-machine was putting a smooth face upon a brass plate, and several workmen were busy filing and fitting. Ascending the stairs, which are made of smooth slabs of purple-colored slate, we next found ourselves in a recessed compartment, at the end of a gallery which was of the same length and dimensions as the shaft-room immediately below. At a bench stood a young man, turning over the leaves of a large reference-book, upon the corners of which a precise, methodical, quaint-looking little machine made regular impressions, rising and falling from point to point of the two radii of a right angle, and numbering a page of the book every time that it reached the inferior culminating point. This machine regulated itself, and marked the pages of great ledgers and journals from the first up to several thousands, without making the least mistake in the numeration. Whilst we stood admiring this happy contrivance, and wondering at the intelligence which seemed to govern the motions of this little complex combination of brass and steel, which went on thus numbering its own actions, our ears were constantly saluted with the clash and clang of ponderous steel plates and busy, strong-limbed machinery. A few steps forward, and the turning of our eyes towards the left brought the whole busy scene, of which those sounds were indicative, within the scope of our vision. Eight perpendicular shafts, which communicated their motion to the printing-presses, were whirling and groaning, with the wheels attached to them, while sixteen men—black, and grim, and hot—were actively at work, printing bank notes. The machinery occupied the centre of the gallery, the workmen's bench on one side, and a range of drying-presses on the other. On the bench, which was of iron, heated in order to communicate that necessary quality to the plates used in printing, stood palettes, covered with Frankfort black, coarse-looking daubers, made of cloth, in the form of the mullers used by paint-grinders, numerous black rags, and large masses of prepared chalk. Two men were employed at every printing-press, whose duty it is to ink, polish, and place the paper on the plate, the one after the other alternately. As soon as an impression is taken, the steel plate is quickly removed from the press. It is then inked all over, the workmen immediately removing with chalk and a rubber all that is on the polished surface. The ink remaining in the engraved parts of the plate, it is again placed in the press, and the impression is communicated to the thin gossamer paper. At one end of this long room there are eight indices corresponding to the eight presses, which are numbered. These register every stroke of each press, and consequently the number of notes printed by every two men. When a hundred notes have been thrown off by a workman, they are placed in a box, and inserted into a slit above the indicator of his particular press. These are immediately taken away, as if by magic, and a hundred blank sheets of paper appear in their stead. It is impossible to speculate even a sheet of this paper without

immediate detection—such is the intelligent supervision maintained by the wonderful steam-engine and the mechanical contrivances pertaining to it. Twenty-eight thousand bank notes are generally thrown off here daily. The printing-presses are kept in motion by broad woolen belts, which of course become soiled, and are changed every day. These are washed and dried in a little room fitted up for the purpose, and so expeditious is the whole process that those heavy woolen cloths, several yards in length, can be cleansed and dried in three quarters of an hour. Adjacent to the washing-room is the room in which the paper is saturated with water before being sent to the printers. The paper is remarkably thin, and so porous that two hundred five-pound note sheets will absorb about an English pint of water. As soon as the water has been forced by a hydraulic machine through all the body of the note-paper, it is then taken to be pressed. This is an extremely nice and delicate process, for if the pressure administered was to exceed the necessary amount, the thin sheets of paper would probably become coherent into a solid mass. The pressure allowed is three tons, but the process is gradual and frequent. The water pressed from the paper runs off by a pipe into a reservoir, and the room in which those machines work is perfectly dry and comfortable. In this same room a grinding-machine is constantly preparing ink for the printers. This ink, or Frankfort black, is made from the calcined lees and seeds of grapes, and forms one of the finest and darkest imprints that can be found. Twenty-eight pounds of this compost are used by the printers in the bank daily.

All the machines which we have endeavored to describe in a general manner are wrought by a steam-engine of ten-horse power, which, down in its snug little room, keeps up its constant clatter and motion, revising, optimising, and accelerating the labors of man, without requiring man's revision. This engine regulates the supply of coal in the furnace, causes the fire to revolve, which consumes its own smoke, and governs all the subordinate and superior motions connected with itself, except filling the hoppers over the furnaces with coal, as if it was possessed of a rational intelligence. The fires are lighted, and the hoppers filled with coal-dust every morning, and then the engine is left to do its own business, until its services are dispensed with in the evening.

Passing from the engine-house, we wended through a little narrow passage, and found ourselves in a spacious yard, the centre of which was occupied by a great iron cage, about twenty feet in diameter, having a roof terminating in a point, and surrounding and covering a brick furnace, full of the black ashes of what had once represented the wealth of this vast industrial community. This is the furnace in which the old bank notes are annually consumed. Our guide informed us that six men are employed during two entire days in destroying the old notes of a year's issue. A Bank of England note is never issued after it returns to the bank. It is then cancelled and destroyed, to make way for the new issue.

A slight description of the mode of conducting business in regard to the issue of bank notes, will enable our readers to see with what ease the circulation of forged notes can be immediately detected, and the number and amount of all those in circulation declared. On every note there is

a date of its issue, the sum of its value, the name of one cashier, and the initial letters which indicate the reference-book in which are all those particulars, carefully registered. Whenever a note is presented to the bank the corner is torn from it, the number is punched out, it is cancelled in the register-book, and then sent down to the library, there to lie for ten years, until burned in the yard during the eleventh. By this means the bank can tell, by reference to its books, how many notes of any date, since the year 1694, are in circulation, and to what amount. The old notes are kept for ten years in the library, and on the eleventh they are destroyed, so that there is a conflagration annually. Some of the bills in the library were once the representatives of immense wealth. One thousand pound notes are, however, the largest in amount that are circulated by the bank. We had a package of five hundred of these in our hands. We had also five or six bills, amounting in the aggregate to four millions and a half of money, one of them alone being for one million sterling.

We now ascended from the subterranean library into the accountant's office, and the transition was very striking. The latter is a magnificent hall, seated all through with desks, at which about a hundred clerks were busy, turning over the leaves of books, and making entries, or comparing notes and preparing them for the archives below. Sixteen Ionic columns run in two parallel rows along the sides of this vast hall. At the one end there is a great clock, at the other is a recess, in which are seated the senior or head accountants.

One of the most interesting and astonishing departments within the whole compass of the banking business was the weighing department, in which, with the rapidity of thought and a precision approaching to the hundredth part of a grain, the weight of the gold coins is determined. There are six weighing machines, kept working by the same agency which supplies all the mechanical power in the bank, and three weighers attend to these. Rolls of sovereigns or half-sovereigns are placed in grooves, and are shaken, one at a time, by the motion of the machine, into the weights. If they are of standard weight, they are thrown by the same mechanical intelligence into a box at the right hand side of the person who watches the operation; if they have lost the hundredth part of a grain, they are cast into a box on the left. Those which stand the test are put into bags of one thousand sovereigns each, and those below par are cut by a machine, and sent back to the mint. Between one and two thousand light sovereigns are thus daily sent out of circulation. The silver is put up into bags, each of one hundred pounds value, and the gold into bags of a thousand, and then those bags-full of bullion are sent through a strongly-guarded door, or rather window, into the treasury. The treasury is a dark, gloomy apartment, fitted up with iron presses, which are supplied with huge locks and bolts, and which are perfectly fire-proof. Gold, silver and paper money ready for circulation, to the amount of twenty-two millions sterling, were in the treasury when we visited it. One of the gentlemen in that department placed one thousand sovereigns in our hand, and at the same time pointed to seventy bagsfull of gold in the little recess which he had thrown open, making in all the modest sum of seventy thousand pounds. He placed notes to the

amount of half a million also upon our palm, which, no doubt, had its own sensations, as the precious deposit trembled on its top. The heads of departments meet in the treasury every evening, and there all the accounts are balanced.

In the issue-room there is a fine marble statue of WILLIAM III., which seems to preside over twenty-eight money-changers, who are constantly employed taking or giving gold and silver for Bank of England notes, or *vice versa*. The desks of the clerks surround this spacious apartment, and offer every facility for the active business carried on here. In the cashier's room we counted eleven white-haired gentlemen busily signing and countersigning the notes to be issued. The banking department is now carried on in a temporary wooden erection, in consequence of some necessary alterations being made in the usual place of business. Two beautiful elms are growing up through the roof and centre of this banking-house, the leaves on those branches enclosed being sear and withered, while those that have been allowed to breathe even the deleterious air of London are bright and green. Eighty clerks were huddled in here, and yet the duties of their office seemed to be discharged with remarkable ability and ease. All the desks were distinguished by particular letters of the alphabet, which referred the person doing business with one clerk to the individual necessary to complete it, without noise or confusion.

The most splendid of all the halls in the Bank of England, however, is the Rotunda, in which all the stock-jobbers, stock-brokers and others meet for the purpose of transacting business in the public funds, and in which the government dividends are paid. From the floor to the apex of the dome is eighty-two feet, and the stucco-work is very beautiful. Fourteen upright cariatides (female figures) stand upon a circular pediment and support the lofty dome, through which falls the softened, chastened sunbeams. The cupola which caps the summit of the dividend warrant office is very rich in alto-relievos, and is also supported by twenty statues, standing two and two by each other's sides. The transfer office is that in which all transactions in the stocks are settled, after parties have agreed to a transmission. He who sells out cancels his claims upon the government, transferring them to the person who may have purchased from him. The consolidated annuity office is appropriated to the sale of annuities, and to the granting of the receipts required by the annuitants before they draw their money. All the transactions of this office are preserved in the presses, the doors of which are numbered and lettered, and indicate the particular entry-books within that have been used since the incorporation of the bank by royal charter in 1694.

Nine families constantly reside within the precincts of the bank—the houses of the secretary, chief accountant and gate-keeper being situated round the court, into which the Lothbury gate opens. Around the whole extent of the bank, within the parapet wall, there is a walk upon which the sentinels pace during the night, lest thieves should attempt to enter. Thirty-four private soldiers and an officer are deputed to this duty every night, each man receiving a shilling, and the officer half-a-crown and his supper. Besides these soldiers, and the families resident in the bank, there are fourteen men constantly there, day and night, who are perfectly acquainted with all the labyrinthian mazes of the vast building, and who

could immediately bring the fire-engines into operation, which stand in the furnace-court. There are about one thousand individuals employed in this establishment. In 1819 there were eleven hundred clerks employed, and twenty-five years previous to that period two hundred and fifty sufficed to discharge the duties required.

The business hours are from nine to five o'clock, and the most rigid exactitude in time-keeping is demanded from all the employees. If an individual is three times late in his attendance, he is called before the directors and reprimanded; if the fault is again repeated, the delinquent receives a gentle intimation to resign his situation. Fifty or more of those employed in this vast national counting-house are constantly enjoying a holiday, the period of relaxation extending as the period during which a man has served extends. The direction of the bank is vested in a governor, deputy-governor and twenty-four directors, who are elected annually at a general court of the proprietors. Thirteen directors, with the governor, form a court for the management of business.

According to a pamphlet issued by Mr. THOMSON HANKEY, formerly governor of the bank, the revenue is paid into the Bank of England at the rate of about £1,000,000 a week, that is, in ordinary times; a considerable portion of this is allowed to accumulate to provide means on each quarter-day for the payment of the dividends on the government debt. Suddenly on those days five or six millions sterling is paid away by the bank to the public; but the difference as to the abundance or scarcity of money just before or just after the payment of this large sum is scarcely appreciable, so nicely do the ordinary operations of banking accommodate and render easy all these large transfers of money. And for all this business the bank receives no other remuneration but the use of the government balances, which vary from "*nil*," the day after the payment of the dividend, until they accumulate to the amount required for payment of dividends; and if then there is not sufficient, the bank are expected to advance the difference, which is repaid out of the next accruing revenue.

And these remarks apply not only to the public banking department the benefit and convenience are equally apparent if we look to the department for private banking. In this department every kind of banking business is carried on for ordinary private customers; his savings may be invested by the bank, and the dividend and interest of all kinds received for him and placed to his account; all the property he may keep in securities will be taken charge of for him, and he may keep all his cash and other securities in the same way as he would keep them at any other private banking establishment, and with all similar conveniences as to receipts or payments in any way that may be required. If a large deposit is required to be made on account of a railway, if large foreign payments are required to be made abroad by the transmission of gold, every facility is given through the machinery of the existing system, by which these large transactions are daily carried out, without causing the smallest derangement to the ordinary trade of the country; or, at least, if any derangement or inconvenience is experienced, it is doubtless in a very mitigated form, in consequence of the general prevalence of a good system of banking throughout the country.

THE BANK OF ENGLAND, 1844 — 1861.

In order to represent fully the numerous changes and fluctuations of the Bank of England, since the grant of the last charter, in 1844, we compile and publish, from official data, a statement showing—*I.* The Circulation Outstanding. *II.* Public Deposits. *III.* Private Deposits. *IV.* Public Securities held. *V.* Other Securities. *VI.* Bullion and Coin held. *VII.* Reserve of Notes: at each period when a change in the rate of discount was adopted by the bank.

WEEK ENDING	Notes in Circulation.	Public Deposits.	Other Deposits.	Public Securities.	Other Securities.	Bullion.	Reserve of Notes.	Minimum Rate of Discount. Per cent.
1844.								
September 7,	£ 21,206,624	£ 3,630,309	£ 8,644,948	£ 14,854,384	£ 7,585,610	£ 15,209,060	£ 8,175,025	4
September 14,	20,888,880	4,417,067	8,475,101	14,854,384	8,416,669	15,207,771	8,620,220	2½
October 26,	22,386,597	3,586,646	8,291,451	15,408,775	8,387,508	14,096,628	6,224,845	2½
December 28,	20,107,905	7,411,605	8,265,079	13,540,619	11,081,821	14,875,415	9,076,800	2½
1845.								
June 14,	21,088,905	6,261,465	10,315,111	13,384,893	11,305,902	16,618,920	9,854,615	2½
November 1,	23,153,745	4,487,068	9,069,737	13,203,188	13,429,813	18,585,042	5,219,775	3½
1846.								
January 31,	22,451,597	4,389,810	17,086,880	13,137,047	21,466,997	13,285,344	5,112,360	3½
August 29,	21,811,511	7,142,212	9,161,868	12,961,785	12,395,457	16,366,068	9,449,760	3
September 12,	20,922,232	8,195,800	8,095,203	12,951,360	12,321,816	16,838,848	9,846,600	3
1847.								
January 2,	20,982,314	9,890,624	7,803,959	12,828,362	15,071,820	14,951,372	8,277,085	3
January 16,	21,678,820	5,094,159	10,389,726	12,757,326	14,400,711	13,948,681	6,545,965	3½
January 23,	21,551,874	4,665,489	10,855,835	12,757,326	14,489,657	13,442,830	6,167,170	4
August 7,	19,504,877	5,570,606	7,885,397	11,663,280	16,302,175	9,259,820	8,946,245	5½
October 28,	21,265,188	4,766,394	8,590,509	10,899,707	19,467,128	8,512,691	1,547,270	8
October 30,	21,764,085	4,696,082	8,911,442	10,613,607	20,409,897	8,438,874	1,176,740	8
November 20,	20,179,074	7,219,802	7,366,432	10,693,607	18,791,117	10,016,957	4,228,085	7
December 4,	19,668,782	7,799,527	8,441,289	10,946,594	18,070,409	11,082,599	5,588,020	6
December 23,	18,680,098	9,235,978	8,248,203	11,065,267	16,979,060	12,234,526	7,784,180	5
1848.								
January 15,	19,997,576	4,384,650	10,676,188	11,208,368	15,254,896	12,828,602	7,152,400	5
January 23,	20,015,158	4,082,448	10,774,870	11,464,665	14,510,368	13,176,812	7,447,885	4
June 10,	18,691,480	5,683,923	9,056,342	12,097,257	11,898,651	18,839,925	9,505,315	3½
October 29,	19,680,744	2,619,440	10,921,192	12,960,012	10,889,084	18,273,142	8,018,165	3
December 23,	17,842,915	8,572,063	8,951,073	13,484,162	10,814,515	15,000,676	11,809,885	3

1849.	July 21	20,880,184	2,809,910	11,302,086	14,885,835	9,657,804	14,717,193	8,111,140	3
	November 17	19,213,850	7,248,920	9,912,504	14,822,087	9,780,592	16,087,690	11,027,655	2½
	December 22	18,573,044	10,268,704	9,488,580	14,850,580	10,860,565	17,080,642	12,451,220	2½
1850.	January 5	19,341,669	10,321,418	9,735,265	14,875,651	11,691,026	17,020,450	13,010,975	2½
	October 19	21,882,702	6,284,406	9,560,618	14,228,901	10,772,545	16,015,105	9,304,195	2½
	December 21	19,715,187	10,788,808	9,201,684	14,288,252	13,769,797	15,359,876	10,288,710	3
1851.	July 19	21,816,988	8,957,006	9,588,816	13,461,021	11,803,076	13,868,047	6,649,515	3
	December 20	19,774,988	9,202,622	9,360,449	13,244,220	11,866,148	17,418,564	12,142,055	3
1852.	January 17	22,210,080	4,715,153	11,656,776	13,269,098	11,388,726	17,794,887	10,112,840	2½
	June 26	22,610,683	7,596,979	12,884,028	13,874,326	10,755,395	22,042,688	14,244,620	2
	September 25	22,926,139	8,792,451	11,898,180	14,189,132	11,662,188	21,811,596	18,619,955	2
1853.	January 8	24,849,739	5,771,914	14,310,648	13,870,796	15,025,553	19,765,691	9,809,480	2½
	January 22	24,912,474	4,995,754	13,727,687	13,880,407	14,170,745	19,404,919	9,444,265	3
	March 19	22,817,388	8,203,555	12,874,698	13,464,538	13,447,272	19,163,146	11,132,095	3
	June 4	24,813,458	4,635,454	12,902,889	13,124,653	14,682,359	18,253,984	8,366,970	3½
	September 8	23,913,004	4,701,598	11,017,313	12,778,176	14,546,194	16,500,068	7,666,695	4
	September 17	23,857,902	6,007,898	11,063,973	12,827,898	16,740,682	15,862,898	6,977,155	4½
	October 1	24,217,011	6,738,755	11,885,565	12,889,083	19,124,799	15,612,562	6,285,520	5
	October 15	25,072,478	8,700,859	12,664,226	12,455,161	17,425,089	15,271,474	5,012,490	5
1854.	May 6	23,138,981	2,338,822	10,688,531	12,666,607	14,749,460	12,608,079	8,900,480	5½
	July 29	21,554,440	2,802,361	11,124,260	11,775,883	13,610,068	13,484,824	6,237,060	5
	December 23	20,064,067	6,560,414	10,209,937	11,609,588	14,581,408	14,187,104	8,852,740	5
1855.	April 7	20,717,199	6,003,895	11,396,375	13,026,749	13,655,995	15,078,518	8,580,140	4½
	May 5	21,258,966	4,837,590	12,645,651	13,691,373	12,721,050	15,619,219	8,742,600	4
	June 23	20,523,617	6,486,085	13,224,470	12,896,068	12,853,957	18,169,026	11,887,310	3½
	September 8	21,133,671	7,591,337	10,970,353	13,031,088	16,637,227	14,217,376	7,525,900	4
	September 15	20,708,610	7,883,531	11,146,762	12,799,868	17,988,784	13,698,455	7,896,800	4½
	September 29	21,174,428	8,144,209	11,487,955	12,125,026	19,915,768	12,988,928	6,195,570	5
	October 6	21,304,102	7,104,624	10,837,648	11,418,148	19,791,298	12,279,231	5,478,470	5½

THE BANK OF ENGLAND, 1844-1862. (Continued.)

WEEK ENDING	Notes in Circulation.	Public Deposits.	Other Deposits.	Public Securities.	Other Securities.	Bullion.	Reserve of Notes.	Minimum Rate of Discount. Per cent.
1855. October 20,	£ 21,851,884	£ 3,895,021	£ 11,764,080	£ 10,685,859	£ 18,789,512	£ 11,930,207	£ 4,810,485	6 @ 7
October 27,	21,415,029	3,700,844	11,827,821	10,323,955	18,694,600	11,803,865	4,262,560	6 @ 7
1856. March 29,	19,752,495	6,898,842	11,857,180	11,871,821	20,063,178	10,449,333	5,289,780	6 @ 7
May 24,	20,074,519	8,585,203	11,472,451	12,479,416	15,877,046	10,558,804	5,081,960	6 @ 7
May 31,	20,828,208	8,686,524	10,745,271	12,612,119	14,042,418	11,384,656	5,666,680	5
June 23,	20,812,801	8,704,870	9,851,045	11,276,165	14,808,958	13,078,758	7,888,715	4½
September 20,	20,698,521	7,909,724	9,958,972	11,964,933	18,291,557	12,132,602	6,225,895	4½
September 27,	21,151,629	8,408,851	9,856,813	11,964,933	19,616,864	11,769,372	5,879,710	5
October 11,	21,501,201	8,001,501	9,843,912	11,378,905	21,049,117	10,140,067	8,821,620	6 @ 7
October 18,	22,140,687	4,040,590	10,431,220	11,108,896	19,054,068	9,760,482	2,854,740	6 @ 7
December 6,	20,055,142	5,870,709	9,297,198	10,640,867	17,889,715	10,486,198	5,151,880	6 @ 7
December 20,	19,885,252	6,891,949	8,499,093	10,870,481	17,654,460	10,513,823	5,568,890	6
1857. April 4,	20,280,754	9,019,838	9,419,012	11,645,974	21,649,787	9,349,720	8,507,475	6½
June 20,	19,452,767	7,799,602	9,298,594	10,327,622	18,481,953	11,172,862	6,107,805	6
July 18,	20,762,319	8,419,956	10,861,098	10,596,581	16,188,847	11,840,652	5,687,400	5½
October 10,	20,862,690	8,502,326	9,667,123	10,560,607	22,898,877	10,109,948	4,024,400	6
October 17,	21,052,815	4,883,021	11,132,431	10,254,541	20,589,565	9,924,478	8,217,185	7
October 24,	20,885,707	4,861,740	11,268,986	10,254,541	20,404,597	9,869,794	8,485,840	8
November 7,	21,079,942	4,871,944	11,910,670	10,120,104	22,628,251	8,497,780	2,158,315	9
November 14,	21,086,480	5,814,659	12,935,344	9,444,898	26,113,453	7,170,508	957,710	10
December 26,	20,133,553	7,493,807	15,151,818	5,492,756	28,088,186	10,753,281	7,426,670	8
1858. January 2,	20,142,975	7,448,613	15,072,871	7,541,491	27,229,815	11,454,961	6,064,985	8
January 9,	20,849,025	7,190,661	14,848,577	7,065,309	23,661,066	12,648,193	7,088,920	6
January 16,	20,558,608	2,986,996	19,124,733	9,191,986	23,849,662	13,357,107	7,540,765	5
January 30,	20,530,197	3,248,893	18,175,558	9,287,580	21,047,480	13,398,724	9,415,680	4
February 6,	20,945,627	3,651,586	17,080,175	9,569,161	20,078,740	15,798,696	9,370,100	3½
February 13,	20,451,689	4,233,493	16,206,945	9,702,817	18,522,886	15,574,647	10,617,445	8
December 11,	20,893,078	8,855,814	12,871,468	10,808,591	15,505,781	13,921,171	12,731,260	2½
December 25,	20,458,684	9,660,818	13,149,007	10,808,591	16,494,120	19,148,997	13,242,060	2½

1859.	March	19,	8,854,497	18,641,265	10,696,147	16,708,612	19,922,782	18,849,605	2½
	April	30,	5,249,296	15,834,625	11,371,118	17,505,501	17,640,342	9,496,645	3½
	May	7,	5,465,088	16,968,971	11,371,118	19,187,314	17,205,450	8,790,350	4½
	June	4,	6,301,774	16,896,283	11,281,376	19,206,940	17,764,696	10,478,380	3½
	June	11,	6,219,397	15,942,762	11,281,376	19,049,912	17,957,887	10,607,545	3
	July	16,	4,871,798	16,864,798	11,420,680	17,802,911	17,941,791	10,100,525	2½
	August	7,	5,323,259	14,351,004	11,203,372	17,690,087	17,880,886	8,889,920	2½
1860.	January	31,	5,166,259	14,850,754	10,518,222	19,598,664	15,884,498	7,589,865	3
	January	31,	5,209,759	14,484,676	10,171,190	20,778,681	14,892,602	6,946,370	4
	March	29,	10,384,110	13,556,194	10,231,190	23,955,189	15,271,901	8,082,685	4½
	April	12,	5,878,185	14,570,717	9,728,943	23,584,388	14,687,102	4,922,085	5
	May	10,	7,284,448	12,608,269	9,728,943	20,739,025	15,878,826	7,162,945	4½
	May	24,	7,666,583	12,569,843	9,728,943	19,986,674	15,844,195	8,346,100	4
	November	8,	4,968,172	13,114,251	9,490,273	19,968,649	13,897,085	6,429,370	4½
	November	13,	5,304,022	12,608,792	9,490,273	20,310,515	13,814,811	6,988,885	5
	November	15,	6,513,612	13,356,250	9,490,273	20,892,252	13,528,880	7,636,860	5
	November	29,	7,275,906	13,224,494	9,485,168	23,836,488	12,652,889	5,899,515	6
	December	31,	8,737,397	15,477,495	10,019,721	21,499,766	12,175,886	5,518,115	7
1861.	January	7,	4,700,293	12,161,148	8,444,776	20,728,396	11,571,832	5,585,845	8
	February	14,	8,224,094	11,492,254	10,699,072	19,707,289	12,701,425	7,463,425	7
	March	21,	7,823,669	11,635,450	10,608,024	20,218,063	13,000,130	6,844,490	6
	April	4,	4,902,527	13,201,791	10,232,988	18,816,006	13,122,432	6,690,360	5
	April	11,	6,723,187	11,591,589	10,180,988	19,796,757	12,862,446	5,978,195	6
	May	16,	8,701,952	12,194,650	9,466,279	18,547,711	12,196,760	5,706,760	5
	August	1,	8,926,955	12,092,801	10,000,300	17,682,471	12,647,658	6,288,460	4½
	August	15,	4,064,709	12,774,391	10,185,300	17,401,395	13,104,822	7,187,875	4
	August	29,	5,061,928	12,442,850	10,450,480	17,289,082	13,999,792	7,987,265	3½
	September	19,	4,240,889	13,515,241	11,712,187	16,460,864	14,210,774	7,279,960	3
	November	7,	4,542,974	13,206,488	12,768,618	18,156,887	16,046,017	9,505,300	2½
1862.	January	9,	29,835,915						

DIRECTORS OF THE BANK OF ENGLAND,
FROM 1694 TO 1861.

Sir John Houlton, 1694	Samuel Lock, 1697
Michael Godfrey, “	Sir Peter Delme, 1698
Sir Thomas Abney, “	William Dawsonne, “
Sir James Batemen, “	Francis Stratford, “
Brooke Bridges, “	Peter Gott, “
George Boddington, “	Sir Richard Levett, “
James Denew, “	John Devinck, 1699
Sir Henry Furnese, “	John Rudge, “
Sir William Gore, “	Richard Perry, “
Thomas Goddard, “	John Reynardson, 1700
Sir Gilbert Heathcote, “	William Desbouverie, “
Sir William Hedges, “	Josiah Diston, 1701
Sir James Houlton, “	John Gould, “
Sir John Huband, “	John Hanger, “
Abraham Houlton, “	Humphrey South, “
Sir Theodore Janssen, “	Sir Robert Clayton, 1702
John Knight, “	Sir Gerard Conyers, “
Samuel Lethieullier, “	Abraham Hill, “
John Lordell, “	Samuel Heathcote, “
William Paterson, “	Charles Chambrelan, 1703
Robert Raworth, “	Sir William Hodges, “
Sir William Scawen, “	Sir Charles Peers, 1705
Obadiah Sedgwick, “	Sir Thomas Scawen, “
John Smith, “	Sir John Cope, Jr., 1706
Nathaniel Tench, “	James Dolliffe, 1708
Sir John Ward, “	John Emilie, “
Henry Cornish, 1695	William Gore, 1709
Edward Clarke, “	Sir Justus Beck, 1710
Sir John Cope, Sen., “	William Henry Commellissen, “
Peter Godfrey, “	John Dolben, “
Anthony Stevens, “	Jeremiah Powell, “
Sir William Ashhurst, 1697	Sir Denis Dutry, 1711
Robert Bristow, “	Heneage Featherstone, “
Samuel Bultell, “	Sir Philip Jackson, “
John Page, “	John Ward, Jr., “
Sir Francis Eyles, “	Sir George Thorold, “
John Shipman, “	Mr. Robert Atwood, 1712
Sir Nathaniel Gould, “	Richard Cary, “

Sir Joseph Hodges,	1712	Christopher Tower,	1734
Sir Randolph Knipe,	"	Johr Eaton Dodsworth,	"
Christopher Lethieullier	"	Frederick Frankland,	1736
Matthew Raper,	"	Samuel Trench,	"
John Edmonds,	1713	Alexander Sheafe,	1737
Sir Richard Houblon,	"	Richard Chiswell, Jr.,	1738
Richard Chiswell,	1714	Sir John Lequesne,	"
Sir William Joliff,	"	Benjamin Mee,	"
Henry Lyell,	"	Mark Weyland,	"
William Thompson,	"	Claude Fonnereau,	1739
Sir John Eyles,	1715	Charles Palmer,	"
Barrington Eaton,	1716	John South,	"
John Francis Fauquier,	"	Matthew Beachcroft,	1741
Humphrey Morice,	"	Robert Nettleton,	"
Moses Raper,	"	Thomas Whateley,	"
Sir Joseph Eyles,	1717	Merrick Burrell,	1742
Sir William Humfreys,	1719	James Lever,	"
Richard Du Cane,	1720	Theophilus Salwey,	"
Samuel Holden,	"	Robert Marsh,	1743
Bryan Benson,	1721	James Theobald,	"
Thomas Cooke,	"	Robert Salusbury,	1744
Delillers Carbonnel,	1722	Peter Thomas,	"
Nathaniel Gould,	"	Bartholomew Burton,	1746
Henry Herring,	"	Godfrey Thornton,	1748
Hon. Horatio Townshend,	"	John Weyland,	"
Sir Edward Bellamy,	1723	Thomas Winterbottom,	1749
Matthew Howard,	"	Charles Boehm,	1750
John Olmius,	"	Matthew Clairmont,	"
Sir Francis Forbes,	1724	Samuel Handley,	"
William Fawkener,	"	Richard Stratton,	"
Sir John Heathcote,	1725	Harry Thompson,	"
John Nicoll,	1726	Sir Samuel Fludyer,	1753
Sir Francis Porten,	"	John Sargent,	"
Stamp Brooksbank,	1728	William Cooper,	1754
James Gaultier,	"	Phillip de la Haize,	"
William Hunt,	"	Sir Thomas Chitty,	1755
William Snelling,	"	Peter Du Cane,	"
Clement Boehm,	1729	Edward Payne,	1756
Joseph Paice, Jr.,	1730	Thomas Plurner,	"
Matthew Raper,	"	Peter Theobald,	"
James Spilman,	"	Robert Dingley,	1757
Robert Alsop,	1731	James Sperling,	"
John Bance,	"	Henry Plant,	1759
Henry Neale,	1732	Samuel Beachcroft,	1760
Robert Thornton,	"	Gustavus Brander,	1761
Charles Savage,	1733	Daniel Booth,	"
Benjamin Lethieullier,	1734	John Cornwall,	"
Benjamin Longuet,	"	Peter Gausson,	"
Sir John Thompson,	"	James Haughton Langston,	"

Edmund Wilcox,	1761	Peter Cazalet,	1792
William Bowden,	1763	William Mellish,	"
William Ewer,	"	Edward Simeon,	"
Richard Neave,	"	Alexander Champion, Jr.,	1794
John Fisher,	1764	George Dorrien,	"
Christopher Hake, Jr.,	"	Jeremiah Harman,	"
Thomas Thomas,	1765	Nathaniel Bogle French,	1796
Edward Darell,	1767	Charles Pole,	"
William Halhead,	"	Thomas Amyand,	1798
Lyde Browne,	1768	Thomas Langley,	"
George Drake,	"	Ebenezer Maitland,	"
George Hayter,	"	Peter Free,	1800
Benjamin Hopkins,	"	Jeremiah Olive,	"
George Peters,	"	Henry Smith,	1802
Mark Weyland,	"	Stephen Thornton,	"
Roger Boehm,	1769	John Bowden,	1803
Matthew Howard,	"	Cornelius Buller,	"
Benjamin Branfill,	1770	Alexander Baring,	1805
William Snell,	"	John Josiah Holford,	"
Samuel Bosanquet,	1771	John Baker Richards,	"
Martyn Fonnereau,	"	Samuel Drew,	1806
Godfrey Thornton,	1772	Henry Davidson,	1807
Daniel Giles, Jr.,	1774	John Stainforth,	"
Christopher Puller,	"	Sir Robert Wigram,	"
Thomas Dea,	1775	John Campbell,	1808
Richard Clay,	1776	William Haldimand,	1809
Thomas Raikes,	"	George Blackman,	1810
Benjamin Mee, Jr.,	1777	William Tierney Robarts,	"
John Sargent, Jr.,	1778	John Horsley Palmer,	1811
William Cooke,	1780	Andrew Henry Thompson,	"
Samuel Thornton,	"	Sir Thomas Neave,	1812
Thomas Scott Jackson,	"	Richard Mee Raikes,	"
Job Matthew,	1781	James Pattison, Jr.,	1813
Joseph Nutt,	"	William Ward,	1817
Thomas Boddington,	"	Samuel Hibbert,	1819
Benjamin Winthrop,	"	Timothy Abraham Curtis,	1820
Beeston Long, Jr.,	1784	John Rae Reid,	"
James Maude,	"	Sir John Henry Pelly,	1821
Isaac Osborne,	"	David Barclay,	"
Sir Brook Watson,	"	John Cockerell,	"
John Harrison,	1785	Henry Porcher,	"
Bicknell Coney,	1786	William Cotton,	1822
John Whitmore, Jr.,	"	John Benjamin Heath,	1823
Peter Isaac Thellusson,	1787	William R. Robinson,	1825
Moses Yeldham,	1788	James Morris,	1827
William Manning, Jr.,	1790	William Thompson,	"
John Pearce,	"	Humphrey St. John Mildmay,	1828
John Puget,	"	John Oliver Hanson,	1829
Thomas Lewin,	1791	Charles Pascoe Grenfell,	1830

Abel Lewes Gower,	1830	Thomas Tooke, Jr.,	1843
Sheffield Neave,	"	Henry Lancelot Holland,	1844
Rowland Mitchell,	1833	Thomas Newman Hunt,	"
Christopher Pearse,	1834	George Warde Norman,	"
Henry Davidson,	1835	James Malcolmson,	1846
Bonamy Dobree,	"	Thomas Baring,	1848
Thomson Hankey, Jr.,	"	Henry Wollaston Blake,	"
Henry James Prescott,	"	George Lyall, Jr.,	"
Robert Barclay,	1837	Thomas Masterman,	"
John Malcolmson,	"	Alexander Matheson,	"
John Gellibrand Hubbard,	1838	Henry Hulse Berens,	1849
Charles Frederick Huth,	"	Robert Wigram Crawford,	1850
Alfred Latham,	"	Benjamin Buck Greene,	"
Thomas Charles Smith,	"	Henry Huck Gibbs,	1853
Thomas Matthias Weguelin,	"	James Pattison Currie,	1855
Edward Henry Chapman,	1840	Travers Buxton,	1857
Kirkman Daniel Hodgson,	"	George Joachim Göschen,	1858
William Little,	1842	James Alexander Guthrie,	"
David Powell,	"	Edward Horsley Palmer,	"
Francis Wilson,	"	John William Birch,	1860
Arthur Edward Campbell,	1843	Stephen Cave, M. P.,	"

GOVERNOR, DEPUTY-GOVERNOR AND DIRECTORS OF THE BANK OF ENGLAND,

ELECTED APRIL, 1861,

With the dates when they were respectively elected.

	<i>First Elected.</i>		<i>First Elected.</i>
Thomas Baring,	1848	†Thomson Hankey,	1835
Henry Hulse Berens,	1849	†John Benjamin Heath,	1823
Henry Wollaston Blake,	1848	†John Gellibrand Hubbard,	1838
John William Birch,	1860	George Lyall,	1848
Travers Buxton,	1857	Thomas Masterman,	"
Arthur Edward Campbell,	1843	Alexander Matheson,	"
Stephen Cave,	1860	*James Morris,	1827
†William Cotton,	1822	†Sheffield Neave,	1830
†Bonamy Dobree,	1835	George Warde Norman,	1844
Benjamin Buck Greene,	1850	Edward Horsley Palmer,	1858
George Joachim Göschen,	1858	Thomas Charles Smith,	1838
James Alexander Guthrie,	1858		

* Formerly Governor of the Bank.

† Formerly Deputy-Governor, and afterwards Governor of the Bank.

DUTIES, QUALIFICATIONS, &C., OF THE GOVERNOR AND DEPUTY-GOVERNOR.

By the act of 1844, the banking department of the Bank of England was separated from its issuing department, and was to be managed like "any other banking concern issuing Bank of England notes." Taking this view of the banking department, we propose to inquire on what principles it ought to be administered. We shall do this, however, not so much with the view of bringing forward any notions of our own, as to lay before the reader some account of those principles which the bank directors have adopted for their government.

The Bank of England is governed by a court of directors, according to GILBART'S "*Treatise on Banking*," consisting of twenty-four members. These are selected from the mercantile classes of London, virtually, by the other directors, who form what is called a House List. They recommend certain persons to be chosen as directors, and the proprietors always follow this recommendation. The court hold their meetings every Thursday, and they then receive a report of the transactions of the preceding week.

The executive administration, in the mean time, is in the hands of the governor and deputy-governor, who may be advised or assisted by the committee of treasury. This committee is composed of those directors who have held the office of governor, of the existing governor and deputy-governor, and of the director who is intended to be the next deputy-governor. A director is at first an ordinary director, and attends the weekly meetings of the court. In turn he becomes, for one year, a member of the committee of treasury; then deputy-governor for two years; then governor for two years; and afterwards a permanent member of the committee of treasury. This committee meet once a week, and at such other times as they may be called together specially by the governor. Sometimes they discuss the measures that are to be submitted to the next meeting of the court; but the court do not now so readily as formerly adopt their recommendations. The governor and deputy-governor, for the time being, make all loans and advances, and sometimes raise the rate of discount, without waiting for the opinion of the court. They conduct all negotiations with the government, and, subject to the sanction of the court, have the whole administration of the affairs of the bank. Each director must hold £2,000 of bank stock; the deputy-governor, £3,000; and the governor, £4,000. It was the rule that every director should take his turn for becoming governor, but recently it has been determined to place in that office the director whom the other directors shall, by ballot, think best qualified. Several suggestions were made before the parliamentary committees, for improving the composition of the court of directors. It was proposed that all the directors should not be taken from the commercial classes, but that some should be selected from the banking and manufacturing interests. It was also asked, whether a permanent governor, either for life or for a number of years, would not be preferable to the present system.

OF THE NATIONAL DEBT OF GREAT BRITAIN.

BY T. BABINGTON MACAULAY.

IT was about the year 1688 that the word stock-jobber was first heard in London. In the short space of four years a crowd of companies, every one of which confidently held out to subscribers the hope of immense gains, sprang into existence; the Insurance Company, the Paper Company, the Lute-string Company, the Pearl Fishery Company, the Glass-Bottle Company, the Alum Company, the Blythe Coal Company, the Sword-blade Company. There was a Tapestry Company, which would soon furnish pretty hangings for all the parlors of the middle class, and for all the bed-chambers of the higher. There was a Copper Company, which proposed to explore the mines of England, and held out a hope that they would prove not less valuable than those of Potosi. There was a Diving Company, which undertook to bring up precious effects from shipwrecked vessels, and which announced that it had laid in a stock of wonderful machines resembling complete suits of armor. In front of the helmet was a huge glass eye, like that of a cyclop; and out of the crest went a pipe, through which the air was to be admitted.

The whole process was exhibited on the Thames. Fine gentlemen and fine ladies were invited to the show, were hospitably regaled, and were delighted by seeing the divers in their panoply descend into the river and return laden with old iron and ships' tackle. There was a Greenland Fishing Company, which could not fail to drive the Dutch whalers and herring busses out of the Northern Ocean. There was a Tanning Company, which promised to furnish leather superior to the best that was brought from Turkey or Russia. There was a society which undertook the office of giving gentlemen a liberal education on low terms, and which assumed the sounding name of the Royal Academies Company. In a pompous advertisement it was announced that the directors of the Royal Academies Company had engaged the best masters in every branch of knowledge, and were about to issue twenty thousand tickets at twenty shillings each.

There was to be a lottery; two thousand prizes were to be drawn; and the fortunate holders of the prize were to be taught, at the charge of the company, Latin, Greek, Hebrew, French, Spanish, conic sections, trigonometry, heraldry, japanning, fortification, book-keeping, and the art of playing on the theorbo. Some of these companies took large mansions, and printed their advertisements in gilded letters. Others, less ostentatious, were content with ink, and met at coffee-houses in the neighborhood of the Royal Exchange. JONATHAN'S and GARRAWAY'S were in a constant ferment with brokers, buyers, sellers, meetings of directors, meetings of proprietors. Time-bargains soon came into fashion.

Extensive combinations were formed, and monstrous fables were circulated, for the purpose of raising or depressing the price of shares.

Our country witnessed for the first time those phenomena with which a long experience has made us familiar. A mania, of which the symptoms were essentially the same with those of the mania of 1720, of the mania of 1825, of the mania of 1845, seized the public mind. An impatience to be rich, a contempt for those slow but sure gains which are the proper reward of industry, patience and thrift, spread through society. The spirit of the cogging dicers of Whitefriars took possession of the grave senators of the city, wardens of trades, deputies, aldermen. It was much easier and much more lucrative to put forth a lying prospectus announcing a new stock, to persuade ignorant people that the dividends could not fall short of twenty per cent., and to part with five thousand pounds of this imaginary wealth for ten thousand solid guineas, than to load a ship with a well-chosen cargo for Virginia or the Levant. Every day some new bubble was puffed into existence, rose buoyant, shone bright, burst, and was forgotten.

The new form which covetousness had taken, furnished the comic poets and satirists with an excellent subject; nor was that subject less welcome to them because some of the most unscrupulous and most successful of the new race of gamblers were men in sad-colored clothes and lank hair, men who called cards the Devil's books, men who thought it a sin and a scandal to win or to lose twopence over a backgammon-board. It was in the last drama of SHADWELL that the hypocrisy and knavery of these speculators was, for the first time, exposed to public ridicule. He died in November, 1692, just before the stock-jobbers came on the stage; and the epilogue was spoken by an actor dressed in deep mourning. The best scene is that in which four or five stern non-conformists, clad in the full Puritan costume, after discussing the prospects of the Mousetrap Company and the Fleakilling Company, examine the question whether the godly may lawfully hold stock in a company for bringing over Chinese rope-dancers. "Considerable men have shares," says one austere person in cropped hair and bands; "but verily I question whether it be lawful or not."

These doubts are removed by a stout old Roundhead colonel, who had fought at Marston Moor, and who reminds his weaker brother that the saints need not themselves see the rope-dancing, and that, in all probability, there will be no rope-dancing to see. "The thing," he says, "is likely to take; the shares will sell well; and then we shall not care whether the dancers come over or no." It is important to observe that this scene was exhibited and applauded before one farthing of the national debt had been contracted. So ill-informed were the numerous writers who, at a later period, ascribed to the national debt the existence of stock-jobbing, and of all the immoralities connected with stock-jobbing. The truth is, that society had, in the natural course of its growth, reached a point at which it was inevitable that there should be stock-jobbing, whether there were a national debt or not, and inevitable, also, that, if there were a long and costly war, there should be a national debt.

THE HISTORY
OF
THE BANK OF ENGLAND,
FROM THE NEW CHARTER (1844) TO THE YEAR 1861.

CHAPTER I.

GENERAL REMARKS—SIR ROBERT PEEL—DEPRESSION OF ENGLISH TRADE, 1841–1843—
THE IMPORTANCE OF THE UNITED STATES AS A MARKET ADMITTED BY ENGLISH STATES-
MEN—SIR ROBERT PEEL'S SPEECH—LORD JOHN RUSSELL IN OPPOSITION—SIR ARCHIBALD
ALISON'S VIEWS—LORD PALMERSTON.

THE sixteen years which followed the last charter of the bank have been pregnant with important events of a financial character; the most important, perhaps, during the whole history of the institution. The bank has twice, during this short period, been on the brink of suspension, and was relieved only by the interference of government. The second instance occurred after new gold, to the extent of one hundred millions sterling, or more, had been poured into Western Europe from California and Australia. The Bank of France had, during the same period, suspended specie payment. Two financial revulsions have occurred in the United States, when, with few exceptions, the banks of the whole country suspended specie payments. The production of gold and silver throughout the world, which, up to 1844, was annually about six or eight millions sterling, has recently advanced from twenty-five to thirty millions sterling per annum, thus stimulating industry and production largely throughout Europe and America. Sir ROBERT PEEL, the author of the new charter of the bank, has left the world's stage, after witnessing the failure of the charter to fully accomplish the end promised; Europe and America, Asia and Europe, have been knit together by a wire cord, and capital is now subscribed to

“Put a girdle round about the earth,”

whereby London may speak to San Francisco (the prospective commercial centre of the world) in less than “*forty minutes.*” During the same short space of sixteen years the suspended States of this Union (five at

least) have resumed payment of their obligations; two violent wars, with sundry revolutions, have occurred in Europe; the ancient city of the Cortez has been conquered by the "hordes of the North," and magnanimously given up by the captors to the possession of their weaker enemy, and millions were paid to the latter for portions of their territory; the northwest passage of the American continent has been discovered; steam has accomplished wonders between Europe and America, and between Europe and their distant colonies of Asia, Africa and Australia; Ireland has been on the verge of starvation,* when 600,000 of her people died from hunger alone, and its effects, and her population was reduced two millions by emigration and privation; England's minister has been expelled from the capital of the United States; speculation has been rife in Europe and America, and its inevitable effects, revulsion and bankruptcy, have followed in its train; the railway and the telegraph have brought remote regions together; China, with her four hundred millions of people, has been conquered by the united forces of the English and the French.

The Bank of England, instead of pursuing one even course, with a view to permanent commercial interests, has unfortunately, and, we fear, from selfish and individual views, fostered speculation by reducing her rate of discount to 2 per cent., and soon after, but too late, discovered the error, and forced her borrowers to pay from 6 to 10 per cent.

We propose to give the leading events of each year, from 1844 to 1861, referring the reader to authorities where more copious information can be gained by those who wish to study the invariable connection between commerce and money.

The bank shares in the depressed period of 1847-8 fell to 180, after having reached, in the flattering times of 1844-5, 215 per share, or 115 per cent. advance. Consols, at the same depressed period, fell to 78½, when starvation stared Ireland in its face, and the bank simultaneously sought protection from the Cabinet.

1844-1846.—It may be well to add to Mr. FRANCIS' history some materials relating to the charter of 1844, and the leading part taken by Sir ROBERT PEEL previous to and in that act. Of this distinguished statesman, ALISON† says:

The truth appears to be, that he was throughout, and in all his changes, actuated by a sincere and disinterested desire for the good of his country; but that one unhappy mistake, into which he had been led, in the outset of his career, by his adoption of the views of others, rendered him, on the most momentous occasions, either blind to what that good really was, or timorous in asserting his own views regarding it. Without the advantages of ancient descent or aristocratic connections, and the son of one who had been the architect of his own fortune, he was naturally inclined to regard with favor that mercantile interest to which his greatness had been owing.

* "The scenes exhibited far exceeded in horror *any thing yet recorded in European history.*"—(ALISON.) America, in her own fullness, sent succor to famished Ireland, in 1847, and when her own day of travail came near, England volunteered no helping hand to her kindred.

† ALISON'S *Europe*, vol. 8, pp. 4-6, published by HARPER & BROTHERS, N. Y.

It would be going too far to assert, as GIBBON did of Mr. FOX, that "his inmost soul was tinged with democracy;" for no man was inspired from principle with a more profound respect for the civil institutions of his country. But this was the conviction of reason; it was not the bent of inclination. It is certain that from early youth he was inclined to liberal opinions, and that it was a knowledge of that which induced his father, who was a stanch Tory of the old school, to throw him so early into public life, in hopes that, when in harness, he would wax warm in the contest on his own side. This tendency, unavoidable in one situated as he was, was unfortunately greatly increased by his early connection with the rising school of the political economists, whose opinions on the all-important matter of monetary policy had been recorded in the memorable Bullion Report of 1810. The leaders of this school, Mr. HORNER and Mr. RICARDO, obtained on these subjects the entire direction of his mind; and it is to their influence that the parts of his career, which otherwise would seem inexplicable, are chiefly to be ascribed. For good or for evil, they stamped their impress upon his mind; and his subsequent career bore indelible marks of their influence.

His views on the Currency.—He had been nominated chairman of the Bullion Committee of 1819 by Lord LIVERPOOL, to form a check upon the extreme views of Mr. RICARDO and the economists; but he soon was either convinced by their arguments, or fell a prey to their seductions. He disdained lucre for himself or his relations, but he worshiped it with devout devotion to his country. He thought the country never could be in danger when its monetary state was sound, and that that depended entirely on the retention of gold by the Bank of England. He measured the public strength by the number of sovereigns in its vaults; private influence, in a great degree, by the magnitude of balances with bankers. In gold he saw the only solid and imperishable condensation of wealth; in realized capital the only secure foundation for future progress or accumulation. He never could believe that the nation was other than prosperous if the bank had fifteen millions' worth of gold in its coffers. He deemed every attempt to create or augment wealth hazardous and delusive, which was not based upon the interest of its moneyed capital; every measure expedient, which went to augment the solid metallic treasures of the nation. To that unhappy conviction the most fatal errors of his career may be distinctly traced. He lived in the perpetual dread of the nation being broken down, and public ruin induced, either by the draining away the gold, which would starve industry, or by the issue of assignats to supply their place, which would extinguish capital. The memory of 1825, when the bullion in the bank was reduced to a million, and public bankruptcy was avoided only by the issue of two millions of old notes; of the dreary years from 1838 to 1842, when suffering met him on every side, and the memory of which, he himself said, "would never be erased from his mind," were perpetually present to his recollection. The cry "To stop the Duke, go for gold," continually resounded in his ears.

When once this key to his political conduct is seized, it affords a satisfactory explanation of his whole political career. He was truly and sincerely patriotic, and actuated on every occasion by nothing but a regard for what he deemed the public good; but he, nevertheless, acted on many

in direct opposition to it, from the unhappy delusion under which he labored in regard to guarding the treasures of the Bank of England. He was courageous, both personally and politically, for himself, but timorous for his country. It is no wonder he was so; for he had placed it on an unstable equilibrium, and any considerable concussion might overturn at once the whole fabric. His practical sagacity led him clearly to see that any serious internal convulsion, and even the most inconsiderable foreign war, would lead to such a run on the bank as would, in all probability, prove fatal to that establishment, and with it entirely un hinge the public credit, and render destitute millions of starving workmen. It was to avert this catastrophe that all his measures were directed. For this it was that he emancipated the Catholics, in 1829, to postpone rebellion in Ireland; and surrendered Maine, by the ASHBURTON capitulation, in 1842, to avoid a rupture with America; and abandoned the corn laws, in 1846, to render England the great emporium of corn throughout the world, and thereby prevent the drain which so nearly proved fatal to the bank in 1839. His monetary bill of 1844 was intended to lay speculation in irons, and so prevent the drain upon the metallic treasures of the nation, which indulgence in it to excess never failed to occasion. That his apprehensions were well founded, the event has decisively proved; the only thing to be wondered at, is that he did not perceive that the danger was entirely of his own creation, by having rendered public credit dependent on the retention of gold, and that the measures he intended to avert were the greatest possible aggravation of the evil. * * *

Owing to the falling off in the American orders for English goods, and other causes, from 1838 to 1843, power-loom weavers and combers, who ten years before had been making 18s. a week, could now only make 6s., and that by the most exhausting and incessant toil. Colliers and iron miners, who four years before had earned 5s. a day, were now at 2s. 6d., while wheat was nearly doubled in price; and weavers by the hand-loom could with difficulty make 3d. a day. A hopeless paralysis seemed to have fallen upon the enterprise and activity of the country; the depression was universal and extreme, and continued without abatement during the whole of 1842 and the first half of 1843. The winters of 1841-2 and 1842-3 were the most melancholy ever known in English history; and the only comforting feature in the case was the noble patience and resignation with which their sufferings were borne by the poor. Yet such was their intensity, that the only surprising thing is how a great proportion of them contrived to prolong existence at all during such a terrible and protracted period of suffering. The distress was so universal that it had ceased to be matter of dispute; the deplorable fact was felt and lamented in silence. The national income sunk £1,200,000 from 1841 to 1842; while the current expenses were simultaneously increased by a similar amount, leaving a deficiency of £2,500,000, which had to be made up by loan. The exports and imports of the nation exhibited a similar and still more alarming change: the former had *sunk* from £53,000,000, in 1839, to £47,000,000, in 1842; the latter *increased* from £62,000,000, in 1839, to £70,000,000, in 1843; the large balance, of course, having to be paid in gold or silver, to the entire destruction, under the existing monetary system, of all credit and commercial industry

in the country. It was easy to see to what this large and increasing balance of imports over exports was owing. It arose from the great importation of grain during these years, in consequence of the continued unfavorable harvests and high prices, which had swelled from nothing at all in 1835 and 1836, to 3,000,000 quarters in 1842. This great import of grain cost the nation, almost all in gold and silver—wheat being, on an average, at 64s.—no less than £10,000,000 sterling in one year. This state of things was sufficiently calamitous in itself; but when its effect upon the currency, and, through it, on the whole credit and industry of the country, is taken into view, the effect became beyond measure disastrous. The gold and silver held by the Bank of England, which in 1838 had been above £10,000,000, had sunk, on 15th October, 1839, to £2,545,000, and even in February, 1842, had only risen to £5,600,000; as a necessary consequence of which, the notes of the bank in circulation, which in 1818 had been £27,771,000, with a population little more than half, and transactions not a third of the present, and in 1835 and 1836 had been £19,147,000 and £18,154,000, respectively, had sunk, at the first period, to £16,732,000, and at the second to £17,500,000. Whoever will consider these figures with attention will at once perceive what was the cause of the universal distress, and how, under the existing monetary system, five bad seasons in succession had come to tell with decisive and ruinous effect upon the whole commercial and manufacturing interests of the country. Nor will it appear surprising that, in England and Wales alone, the paupers had risen in the latter year to 1,427,000, of whom 85,000 were able-bodied, being about one-eleventh of the entire population.*

Even at that period English statesmen and merchants had avowed the dependence of England upon the American market. Lord JOHN RUSSELL and Lord PALMERSTON † said in Parliament, in 1842: "*We are not, we cannot be, independent of foreign nations, any more than they can of us.* It is admitted that, for the last four years, 2,300,000 quarters of foreign corn have been imported; that is to say, two millions of our people have been dependent on foreign countries for their daily food. *At least five millions of our people are dependent on the supplies of cotton from America, of foreign wool, or foreign silk. Independence of other countries, therefore, is a chimera which it is in vain for a great commercial nation to pursue; and even were it reached, it would be attended with no visible benefit.* It is impossible that the time should ever arise when you might not find some part of the world from which you might derive your supplies. The true independence of a great commercial nation is to be found, not in raising all the produce it requires within its own bounds, but in attaining such a pre-eminence in commerce that the time can never arise when other nations will not be compelled, for their own sakes, to minister to its wants. The duties proposed to be levied by the new scale are in the highest degree prohibitory. 20s. are to be levied on wheat when the price is 51s. Now, it appears from the consular returns, that the usual

* ALISON'S *Europe*, vol. viii. TOOKE'S *History of Prices*, vols. ii. p. 386; iii. 78; iv. 437, 439. PORTER'S *Progress of the Nation*, pp. 94, 146, 356, 475.

† ALISON'S *Europe*, vol. viii. pp. 12-14.

price of wheat free on board at Dantzic is 40s., to which, if 10s. 6d. be added for the price of the transit, we have 50s. 6d. as the price at which Dantzic wheat can be sold in this country. If to this you add 20s. duty, you raise the price of imported wheat at once to 70s., a price at which it never can be imported with profit, unless prices have reached famine levels. Indeed, the new scale will exclude all importation till prices are above 61s.; and when it does begin, owing to the prices having risen, and the harbors being practically opened, the result will be, a great import of foreign grain, a great consequent drain on the bank for gold to pay for it, an immediate contraction of issues, and wide-spread commercial distress. Many millions must be paid, and you have no means of doing so by sending out goods, because you have no regular trade. *There is nothing of such importance to this country as to extend its commercial relations with the United States of America.* There are to be found nations rapidly increasing in population and resources, which could furnish you to any extent with the means of subsistence, and take in return any conceivable amount of your manufactures. Around the great inland seas, formed in its progress to the ocean by the St. Lawrence, is a cluster of five nations arising, extending from the lakes, on the north, to the Ohio on the south. The territory they inhabit is twice as large as France, and six times as large as England. It contains 180,000,000 of acres, a large portion of which is of surpassing fertility. The population of this cluster of States already exceeds 300,000; if the same rate of progress shall be maintained for the next twelve years, it will contain 12,000,000. Yet are they at such a distance from this country that they can never be formidable competitors to our farmers; for even without a duty, wheat can never be sent from thence to Britain for less than 43s. to 47s. They would be glad to receive your manufactures in exchange for the food which they send you; but how can they do so if you refuse to receive their grain, or do what is the same thing, load it with such duties as make it not worth their while to send it? Were it otherwise—*were a free commercial intercourse established with them, there is no saying how long you might continue to furnish them with manufactured goods, or how extensive and lucrative might be the commerce you might carry on with them. However rising may be the manufactures of the United States, there is not enough of that species of industry, and probably there will not be for a very long time, to furnish with clothes and other articles of rude comfort this great population.*”*

In this stage of the country Sir ROBERT PEEL brought forward his speech on the finances, and said:

“What, then, is to be done in this emergency, when remedies of no ordinary kind must be resorted to, if power is to be maintained or bankruptcy avoided? Indirect taxation has reached its limits, and can no longer be relied on. Last year the addition of five per cent. on the cus-

* These eminent statesmen mistook the powers of the United States as a manufacturing country; while more recent events have more strongly demonstrated the dependence of Great Britain upon the United States both for a supply of cotton, with which to keep England's operatives employed, and as the most important foreign market for England's goods.

toms and excise, instead of producing £5 per cent., as was expected, produced only 10s.; while the per centage of ten per cent. on the assessed taxes produced considerably more than was expected. Are we, then, to go back to the old taxes? Shall we restore the postage duties? At present, the new packet service being added, *the post-office produces no revenue at all, but is rather a charge*; but the penny postage has not been long enough in operation to justify us in proposing an alteration upon it. Are the taxes to be restored upon wool, salt and leather? That would be adding to the burdens of the already suffering portion of the community, to the relief of that which is in affluence; and in addition, many new contracts have been entered into upon the faith of their abolition, and salt, in particular, has been applied to many new purposes. A nation's revenue may sometimes be, in the end, increased by reduced taxation; but, in the first instance, it is always followed by a great diminution, and a very long time is always required to restore the amount. This principle is illustrated by what has happened with respect to the reduced duties on wine, tobacco, sugar, coffee, hemp, rum, and other articles. A mere reduction of duties, therefore, will not present a resource to meet the present emergency; and my settled opinion, my deep conviction is, that it has become necessary to make a great appeal to the holders of property.

"My plan* is this: to levy an income tax not exceeding 7d. in the pound, or about three per cent., on all incomes above £150, including all funded property, whether in the hands of natives or foreigners. I estimate the incomes of lands in Great Britain at £39,400,000; houses, £25,000,000; mines, rail-roads, etc., £8,400,000; in all, £72,800,000. The total produce of this tax, excluding Ireland, I estimate at £3,771,000. As Ireland is to be withdrawn from the tax, I propose to add 1s. a gallon to the tax on spirits, the consumption of which is again increased, from the decline of the influence of the temperance pledge. From this source I expect £250,000 a year; and, from the equalization of the stamp-duty in that country with that in England, £160,000 more. Four shillings a ton is to be laid on *exported* coals, from which I expect £200,000; in all, £4,380,000, which will cause a considerable surplus after covering the whole deficiency for the year, which I estimate at £2,500,000. And then the question remains, In what way can this surplus be best applied to improve the resources or lighten the industry of the nation? This surplus I propose to apply in the reduction of the import duties in our commercial tariff."

Lord JOHN RUSSELL and Lord BROUGHAM.—Against the tax it was urged by Lord JOHN RUSSELL in the Commons, and Lord BROUGHAM in the Lords: "A direct tax on income ought never to be resorted to unless in some great emergency of public affairs—when an extraordinary expenditure has become necessary for a time, or in some pressure upon

* "In Denmark the property-tax is on a graduated scale in proportion to the amount of the income enjoyed by the persons taxed, from whatever source derived. It may well be doubted whether this is not confiscation of the fortunes above the line where the heavier burden begins. But the curious thing is, that in the popular community, the injustice perpetrated was on the middle class; in the despotic monarchy, on the nobility and rich."—DOUBLEDAY'S *Life of PEELE*, ii. 347.

the finances of the country, which can be sustained by no other means. Such a tax ought on no account to form part of the ordinary revenue of the State, but should cease with the necessity which could alone justify its adoption; inasmuch as, besides all the other objections to which it is liable, its inquisitorial character is such as must always render it odious, however trifling may be the amount abstracted. The facility with which it is collected offers a constant temptation to extravagance on the part of government, removes the most important check upon expenditure, and dispenses with the necessity of seeking for an equality between income and expenditure in economy."

Lord JOHN RUSSELL'S amendment was rejected, on the 13th April, by a majority of 308 to 202, and on the 30th May the third reading was carried by a majority of 130. In the Lords, the bill passed by a majority of 71. Notwithstanding these large majorities in both houses, however, the change introduced great alarm into the country, especially the grazing districts, which were most threatened by the changes in the tariff. * * * Impartial consideration, now that their effect has been tested by experience, must lead to the conclusion that these changes in the tariff introduced by Sir R. PEEL were expedient, and required by the circumstances of society. * * *

This leads to a very curious reflection. The financial situation of the nation had become so serious, and the deficit so alarming, that it had overturned one administration, and forced an entire change of commercial policy on another. The nation was steeped in misery, and indirect taxation had reached its limits: yet foreign affairs had become so threatening that a great increase of the national armaments had become indispensable. The whole experience and talent of the legislature were taxed to the uttermost to discover a remedy for these manifold evils, and none could be thought of but recurring, in a period of profound European peace, to the grinding tax heretofore reserved as a last resource for the exigencies and dangers of war. Yet was the remedy easy, cheap, certain, injurious to no one, profitable to all. Nothing was required but to send a letter from the first lord of the treasury and the chancellor of the exchequer to the governors of the Bank of England, authorizing the notes issued on securities to be raised from £14,000,000 to £21,000,000. Instantly despondency would have been succeeded by hope, poverty by comfort, compulsory idleness by willing industry, financial embarrassment by an overflowing treasury. Nothing but to confess a gigantic error was wanting to repair boundless calamities, to restore happiness to a suffering realm. But to have done so required, in some, the magnanimous confession of former mistakes; in others, a surrender of, to them, a most profitable usurpation; in all, a close attention to a subject of universal interest, and but very partial comprehension. The proof of this, however, is now decisive. Sir ROBERT PEEL'S subsequent change, in 1844, without his designing it, induced such an extension of the currency as was required, though on the most perilous footing, and two years of prosperity, followed by a frightful commercial crisis, ensued. Nature gave a lasting extension on a solid foundation, by opening her reserves of gold in 1851, and unbroken prosperity has been the consequence.*

* ALISON'S *Europe*, vol. viii.

SIR R. PEEL'S *Speech of 1844 on the Bank Bill.*—"By these means the circulation of the whole of England issuing on securities will be about £22,000,000, £9,000,000 being the proportion of the country banks to £14,000,000 of the Bank of England. The circulation of the country, however, is, and requires to be, £30,000,000, and it is the additional £8,000,000 that requires to be provided for. This portion of our currency must be based on gold, for it is the portion required for foreign commerce, in which national securities are of no avail. The gold wanted for this portion of our commerce *may be assumed to be at the utmost* £8,000,000; for, before any thing like that quantity could have been drained out of the country, prices must have fallen so low as to have caused a large exportation of goods and return of gold. As the provision of this act is, that gold is always to be in store beyond the £22,000,000 based on national securities, there can be no fluctuation in the amount of paper money otherwise than in proportion to the amount of gold brought for sale to the Bank of England; and as the bank is obliged to buy with its notes all the gold brought to it, the gold bought in will be surely replaced by an equal amount of paper. When gold, on the other hand, is drawn out, the paper that comes in will be canceled—a necessity, as the bank has hitherto immediately re-issued the notes brought in, thus increasing the drain upon itself, at the very moment when a severe drain has set in of itself."*

Such were the views entertained by Sir R. PEEL and the great majority in both houses of Parliament, which agreed with him on this all-important subject, and such the arguments by which their views were supported. So general was the concurrence in these views, that no one ventured to oppose them in either house on principle, and the second reading passed without a division. The only serious opposition which showed itself was to that portion of the bill which went to affect the interests of the country bankers, and the restrictions about to be imposed on their issues. Mr. HAWES was the exponent of their views, and he moved an amendment on the 13th June to the effect, "That no sufficient evidence has been laid before this house to justify the proposed interference with banks of issue in the management of their issues." "The object," said he, "of the present bill is to make the paper circulation conform more closely to the gold circulation, which is declared to be prevented by the unlimited competition in the issue of paper. I deny that unlimited competition; for the convertibility of each note into gold at the will of the holder is a natural and sufficient check on an over-issue of paper. There is no foundation for the doctrine advanced by the bullion committee, that the difference between the mint and the market price of gold is the measure of the depreciation of the currency. That difference is entirely owing to the political causes which create a greater demand for gold, and therefore render it more valuable in one part of the world than another. It is a mere gratuitous assumption, wholly unsupported either by reason or evidence, to say that the difference is owing to over-issues. As little is the rise of prices during the war to be ascribed to that cause. On the contrary, England was in many articles,

* *Parl. Deb.* lxxiv. 720, 755, 1346; lxxvi. 1061; *Ann. Reg.* 1844, 191, 196.

especially sugar and colonial produce, the cheapest country in the world at the very time when the market price of gold was 25 per cent. above the mint price.*

“The effect of the government plan will be to substitute small bills of exchange for promissory notes, thus establishing a currency more easy of issue and more dangerous than that which now exists, while any commercial crisis pressing upon securities will compel the bank to draw in its notes by whatever means and at whatever ruin to private credit, and thus lead to commercial difficulties unprecedented even in 1825 and 1839. A drain of bullion like that produced by the bad harvests of 1838 and 1839 might close the banking department of the bank, and lead to such distress as would force on the repeal of the corn-laws. If all restrictions were removed on the issue of paper save the one important one of its being convertible into gold, no banker could commit an over-issue, for it would come back upon him instantly if it exceeded the wants of the country. The notes in circulation now are little more than half of what they were some years ago, and no proof whatever has been adduced to justify the proposed restrictions. It is the most palpable injustice to lay the whole blame of over-issue on the private bankers, and restrict them in future to their present amount of issue, without saying any thing of the Bank of England, with whom the system of over-issue always began.”

Upon this debate, which went only to a subordinate part of the bill, and left untouched its leading principles, the majority for the government was 155, the numbers being 185 to 30. A few small alterations in detail were afterwards adopted, but an attempt on the part of Mr. MUNTZ, the member for Birmingham, to throw it out on the third reading, was defeated by a still larger majority, the numbers then being 205 to 18. In the House of Lords the bill excited very little discussion, and passed on 12th July without a division; so little was its paramount importance to all classes of the community understood in either house, save by its immediate authors and promoters. It received the royal assent on the 19th of the same month.

In announcing his measure regarding the currency, which extended only to England, Sir R. PEELE declared his intention of introducing, in the next session of Parliament, a similar measure applicable to Scotland and Ireland. Early in the session of 1845 he proceeded to redeem his pledge, and the country was at that period eminently prosperous; and as no bad effects had as yet been experienced, so far as present appearances went, from the bill of the preceding year relating to England, the bill passed with very little discussion and scarcely any opposition. Sir R. PEELE boasted, and apparently with reason, in bringing it forward, that “thus far experience was in favor of that act; there had since been a period of extraordinary commercial activity and speculation, especially in manufactures and railways, and a great demand for capital; and the amount of gold and silver in the Bank of England was now £15,842,000.” In pursuance of the principle of the English act, it was proposed to withdraw all the present exclusive privileges enjoyed by the Bank of Ireland,

* *Parl. Deb.* lxxvi. 1061; *Ann. Reg.* 1844, 205, 206; ALISON'S *Europe*.

and to oblige that bank, like all the other banks of issue in the country, to make weekly returns of the state of its business. In Ireland, equally as in Scotland, the power at present enjoyed by the banks issuing notes was to be continued to them even below £5; but the amount to be issued by them was in future to be limited, so far as issuing on securities went, to the average of their note circulation for thirteen lunar months since 27th April, 1844. Any excess of issue beyond these sums would require in both countries to be based on bullion. No bank established after the date of this act was to have the power of issuing notes; and Bank of England notes were declared *not* a legal tender in Scotland. The amount of notes which under this act might be issued on securities in Scotland would be £3,041,000, and in Ireland, £6,271,000; the whole circulation beyond which was to be based on bullion. Thus was Sir R. PÆL's banking system finally established with almost universal concurrence in both islands, and the amount of circulation in the two, taken together, that might be issued on securities, was fixed at somewhat above £31,000,000, being little more than a *half* of what it had been at the close of the war.*

It is difficult to say, whether what was said or what was left unsaid in these all-important debates on the currency, which ended in the entire establishment of Sir R. PÆL's system, is the more calculated to awaken surprise and suggest reflection. The avowed object of the system was to check undue extension of the circulation, in periods of speculation and excitement, by the over-issue of bankers, and to provide a solid basis for any extension of the currency beyond what was deemed reasonable, by compelling it to be based, whether issued by the Bank of England or private bankers, on bullion alone. To effect this object, it was deemed essential to compel the Bank of England to take all the gold which might be brought to it at a trifle below the mint price.

* The notes now issuable on securities in the British empire were:

Bank of England,	£ 14,000,000
English country banks,	8,000,000
Bank of Ireland,	2,706,000
Irish country banks,	3,565,000
Scotch banks,	3,041,000
Total,	£ 31,312,000

In 1815 the notes in circulation on securities were:

Bank of England,	£ 27,261,000
English country banks,	19,010,000
Scotch and Irish banks (estimated,)	12,500,000
Total,	£ 58,771,000

—*Ann. Reg.* 1845, p. 204; ALISON'S *Europe*.

CHAPTER II.

FROM THE PASSING OF THE BANK CHARTER ACT IN 1844, TO THE FALL OF SIR ROBERT PEEL'S MINISTRY IN JUNE, 1846—VIEWS OF SIR A. ALISON—RAILWAY MANIA OF 1845—RAILWAY FRAUDS—EFFECTS OF OVERTRADING—COMMERCIAL POLICY OF SIR ROBERT PEEL.

SIR ROBERT PEEL frequently referred to the Bank Charter Act of 1844, and the adoption of free trade, as the main causes of the flood of prosperity which overspread the country during the two succeeding years; and there can be no doubt that he was so far right that the immense increase in railway and other speculations which then took place, is in a great degree to be ascribed to the facilities for carrying them on which that act afforded. The bank, now laid in chains by government, had but one thing to do, and that was, to attend closely to the state of the exchanges and the stock of bullion in its coffers; to expand its issues when the former was favorable, the latter large; to contract them when the reverse took place. Circumstances, immediately after the passing of the act, were eminently favorable to the retention of bullion. The supplies from South America, in consequence of the cessation of the desolating war of independence, had become much more abundant, and the drain, from the fineness of the harvests, had become very inconsiderable. The produce of gold in Russia had now become so considerable* as to exercise a sensible influence on the money market. The import of wheat in the years 1843, 1844 and 1845 was very small; in the latter of these years it was only 313,000 quarters.† The consequence was, that the bank coffers were overflowing, and Sir R. PEEL boasted, in the pride of his heart, as already mentioned in noticing the Scotch Banking Act in 1845, that it had bullion to the amount of £15,842,000. The necessary effect of this state of things, according to the existing law, was a very great issue of bank-notes by that establishment, which was obliged to give them for all the gold brought to its doors, and of course a corresponding increase

* PRODUCE OF GOLD IN RUSSIA.

1837,.....	£ 900,000	1842,.....	£ 1,848,000
1838,.....	1,004,000	1843,.....	2,635,000
1839,.....	1,003,000	1844,.....	2,730,000
1840,.....	1,125,000	1845,.....	2,792,000
1841,.....	1,316,000	1846,.....	3,414,000

—*Parl. Papers*, Dec. 3, 1847; *TOOKE'S History of Prices*, v. 537.

† IMPORTS OF WHEAT INTO GREAT BRITAIN.

Years.	Quarters.	Years.	Quarters.
1842,.....	2,997,302	1844,.....	1,021,245
1843,.....	982,287	1845,.....	313,245

—*PORTER'S Progress of the Nation*, p. 140, 3d edit.

in the issue of all other banks, which are all entirely regulated by the proceedings of the Bank of England. During the last half of 1844 and the next two years the average bullion in the bank was from £15,000,000 to £16,000,000, and the paper in circulation from £21,000,000 to £23,300,000. The entire circulation of the empire during these years was from £40,000,000 to £42,000,000, while the gold and silver was about £30,000,000. True to the principle of the Bank Charter Act, the bank directors no sooner perceived this favorable state of things than they lowered the rate of their discount from 4 to 2½ per cent.; and it did not exceed 3½ per cent. till the beginning of 1847,* when the monetary crisis was commencing which terminated so fatally in the close of that year. It was impossible that so great a fall in the rate of discount, and so great an increase in the circulating medium, could take place without a corresponding rise of prices in every thing except food, which was kept down by the fine harvests; the state of things of all others most favorable to commercial enterprise and speculation of every kind.†

The first effect of this state of things, as auspicious in the outset as it was perilous in the end, was a vast increase in railway speculation, and the growth of what has been not inaptly called the Railway Mania. It was during the years 1844, 1845 and 1846 that this system received its full development, and it was then pushed to a degree of extravagance which would not be credited by future times if not attested by a host of contemporary witnesses, and evinced by lasting effects upon the face and fortunes of the country. Compared with the fever which then seized the public mind, and the magnitude of the speculations in consequence set on foot, the famous South Sea Bubble, and the corresponding fervor of England in 1824-'25 and 1836-'37, sink into insignificance. The progressive rise in the price of the chief articles of commerce was such as to render speculation of every kind for a considerable time a source of profit, and to diminish, to an extraordinary degree, the unfortunate ones which terminated in bankruptcy. The result of this, as usual, was, that people thought that the prosperity which had now set in would never cease; that the rise of prices, which had proved so profitable to many, would continue forever. It must be confessed, that for a considerable time appearances seemed to justify the anticipation. The few fortunate speculators, who set on foot some of the favorite lines, soon sold their shares at such prices as in a few days enabled them to realize large fortunes. The knowledge of this so increased the public anxiety to share in these profitable investments, that these shares rose every day higher, and scarcely any one who bought

* RATES OF DISCOUNT CHARGED AT THE BANK, AND BULLION IN CIRCULATION.

YEARS.	Rate of Interest.	Bullion.	Bills under Discount.	Paper Out.
1844—Sep. 5,	2½ ..	£ 15,210,000 ..	£ 7,280,000 ..	£ 21,210,000
1845—Oct. 16,	3 ..	14,190,000 ..	13,500,000 ..	23,380,000
“ —Nov. 6,	3½ ..	13,720,000 ..	13,620,000 ..	22,890,000
1846—Aug. 27,	3 ..	16,360,000 ..	11,840,000 ..	21,310,000

—TOOKE on Prices, v. 565.

† ALISON'S *Europe*, vol. viii.; TOOKE, v. 563, 565; *Ann. Reg.* 1845, 1, 3; MART. ii. 627, 629; DOUBLEDAY, ii. 387, 388.

had not an opportunity of selling in a few days to advantage. Such was the effect of this, that in a short time the nation seemed to have lost its senses.

The effect of this universal mania appeared in a thousand different ways. The passion for gain, now thoroughly awakened, seized upon all classes, pervaded both sexes, swept away all understandings. The grave and the gay, the old and the young, the studious and the volatile, were alike involved in the vortex. The few who ventured to withstand the torrent, and to suggest that the currency and capital of the country were alike inadequate to bear the strain which would soon be brought upon them, were put aside as mere alarmists, whose opinions were entitled to no consideration. It was said the money never left the country, that it only circulated from hand to hand with more rapidity, and that there was enough and to spare. Every one concerned, however remotely, in the great work of forming the net-work of railways which was to overspread the country, was worked to death, so great was the universal anxiety to get the lines forward. Surveyors, with theodolites and chains, were incessantly traveling the country in every direction; and when the proprietor refused his consent to their entry, it was stealthily obtained at night, or openly asserted in daylight by large bodies of men. Nothing could resist the universal mania. Park walls were to be perforated, shady dells penetrated, gardens pierced through, stately mansions leveled with the ground, villages ruined, streets effaced, to make way for these gigantic precursors of human improvement. As the season passed on, and the 30th November, the last day for lodging plans with the Board of Trade approached, the pressure and excitement became unparalleled. Lithographers by hundreds were brought over from Belgium and France to aid in making the plans; the engineers and their clerks sat up all night, and several of them in two years made large fortunes. On the evening of the closing day the doors of the Board of Trade were besieged by a clamorous crowd contending for admission, as at the pit doors of the opera when a popular actress is to perform; above six hundred plans were thrust in before the doors closed at midnight on the 30th November, 1845. The capital required for their construction was £270,950,000, and above £23,000,000 required to be deposited before the acts could be applied for!

It may easily be conceived that so prodigious and universal a ferment in society did not take place without unhinging in a great degree the public mind, and bringing forward in the most dangerous way many of the worst qualities of human nature. The same effects on all classes which had been observed in France during the Mississippi Bubble, reappeared in Great Britain, but on a much greater scale, and pervading more universally all gradations of society. The passion for gain, deemed by all to be within their reach, seized upon all classes. Not a doubt was entertained, save by the thinking few, who were derided as alarmists and croakers, of the possibility, nay certainty, of reaching the goal. All classes joined in it; country clergymen and curates hastened to invest the savings of their scanty incomes in the golden investments; traders and shop-keepers in towns almost universally expended their all in similar undertakings; servants, both in affluent and humble families, were to be

seen on all sides crowding to the agents' offices in the nearest towns, to throw their little savings into the crucible from whence a golden image was expected to start forth. It was painful to behold the extent of the delusion, mournful to contemplate its certain consequences. No class, not even the very highest, was exempt from it. Ladies of rank and fashion hastened from their splendid West End mansions into the city to besiege the doors of the fortunate speculators, whose abodes were deemed a certain entrance to fabled wealth; the palaces of the exclusives were thrown open to vulgar manners and grotesque habits to facilitate an entrance into these magician's dens.

Its immediate benefits to some classes.—Doubtless some classes gained, and that enormously, by this universal insanity. The legislatorial attorneys, the engineers in chief employment, and the surveyors, rapidly made fortunes. It must be confessed they gave the public something very tempting in appearance, at least, for their money. There was not a line proposed that was not supported by the opinion of professional men of the highest character, to the effect that at least *ten per cent.*, probably much more, would be the certain returns to the fortunate shareholders. Experience ere long proved that by doubling the estimated costs, and halving the estimated profits, a much nearer approximation to the truth would be obtained. Under the influence of such powerful excitements it may be believed that, without imputing to any one deliberate and intentional falsehood, great exaggeration prevailed; most erroneous views were successfully palmed off upon the committees, and a vast amount of solid wealth was forever thrown away, to the utter ruin of great numbers of innocent persons. These truths were ere long too clearly demonstrated by the result. It was computed that no less than £16,000,000 was expended in surveys, legislation, or litigation connected with the bills got up during the railway mania before they got through Parliament; of the £300,000,000,* in round numbers, which the lines were computed to cost, nearly a third has never paid any thing in the shape of dividend, and on the remaining two-thirds the net receipts, after deducting the working expenses, would not, on an average, exceed three per cent.†

Great effect of these speculations in the country.—It would be well if the historian had only to record the immediate losses which arose to the parties concerned in them from these gigantic undertakings. But unfortunately the evil did not stop here; but, on the contrary, has impressed its mark in a lasting way on the national character and on the estimation in which the legislature is held. From the extravagant speculations and

* The sums authorized to be expended by Acts of Parliament on railways in the United Kingdom were as follows in the undermentioned years:

1843,.....	£ 3,861,285	1848,.....	£ 14,620,471
1844,.....	17,870,361	1849,.....	3,155,332
1845,.....	60,824,088		
1846,.....	162,026,224		
1847,.....	40,397,395		
		In 7 years,.....	£ 302,755,221

† ALISON'S *Europe*, vol. viii.; PORTER, 3d edit., 324, 326; MART. ii. 631; DOUBLE-DAY, ii. 388, 389.

unbounded gains and losses of the years during which the mania lasted, may be dated a great change, and one materially for the worse, in the mercantile character of the country. The old English merchant, cautious, upright, honorable, lavish in his charities, economical in his household, liberal to others, saving upon himself, has disappeared. “*Namque avaritia fidem, probitatem ceterasque artis bonas subvertit; pro his superbiam, crudelitatem, deos negligere, omnia venalia habere edocuit. Hæc primo paullatim crescere, interdum vindicari. Post, ubi contagio quasi pestilentia invasit, civitas immutata.*” In the joint-stock companies which succeeded the individual direction of the old English merchant, facilities to fraud were multiplied, inducements to probity taken away. Forgery and embezzlement hoped for evasion in the careless management of the many; honesty and integrity lost their appropriate reward by their fruits being shared by numbers. Every species of fraud—false balance-sheets, false dividends, cooked accounts—were perpetrated, in some cases with long-continued concealment and immense profits. When, at length, the perpetrators of the iniquity had in general escaped, aware of what was coming, they had in time disposed of their shares to the widow and the orphan, who, deceived by their representations, bore the penalty of their sins. The *transferable* nature of the shares in these public companies added immensely to the facilities of fraud, for the shares could be disposed of before the fraud was discovered. Unfortunately, the legislature itself did not, in the general whirl, escape, at least in general estimation, unscathed; and the railway committees, pressed with business and distracted by opposite opinions from witnesses of equal respectability and skill, gave such various and contradictory decisions, that the public confidence in the wisdom and disinterestedness of their legislation was, for the time, at least, seriously impaired.*

Another consequence, of a very curious and unexpected kind, arose from the rise and extraordinary extension of railway speculation in Great Britain at this time, and this was, the division on a vital question which it occasioned in the landed interest. The first step taken by every railway company, when any new line was to be set on foot, was to endeavor to conciliate the landed proprietors through whose estates it was to pass, and this they did by offering them shares of the new undertaking, and ample sums in name of damages for the ground taken. If neither bait took, and a squire proved obdurate, he generally got such ample damages from the juries, who deemed the railway funds inexhaustible, as entirely opened his eyes and altered his views as to the comparative merit of the railway and landed interest. In this way a most important object was gained, attended with decisive effects in the great contest which immediately after ensued. The landed interest, hitherto so united, was *divided*; a considerable portion of it came to regard its interests as more identified with the railways—that is, the commercial interest, rather than with the fields—that is, the agricultural. It was the constant argument of the anti-corn-law league that the repeal of the laws protecting agriculture would immensely augment the internal traffic of the country, and that between the effects of large quantities of grain coming in, and still larger

* ALISON'S *Europe*, vol. viii.

of minerals and manufactures going out, an unlimited amount of carriage on the railways might with confidence be anticipated. There can be no question that these views were, in fact, at least well founded; and being presented to a generation heated by the railway mania, and the very persons most likely, in the first instance, to profit by it, they proved, with many landed proprietors, extremely serviceable. Their interests as claimants on railways or owners of their shares overbalanced their interests as proprietors of the soil. Thus, as the very time when the universal distress arising from five bad seasons in succession had engendered a powerful league, which was making unheard-of efforts to abolish every remnant of protection to agriculture, an element to seduction was thrown among its defenders, which caused many of them, at the decisive moment, to disappear from the ranks in which they had hitherto been found.*

Good effects of the railway mania on the laboring classes.—The immediate effect of the vast expenditure of capital upon domestic undertakings, which the railway mania occasioned, was immense. The demand for laborers was such, that even the multitudes of workmen who came over from the neighboring island, to the number, at one time, of nearly a million, were unable to satisfy it. Wages of all kinds rose to nearly double their former amount. Common day-laborers, instead of eighteen pence, were getting half a crown and three shillings a day; colliers and iron-miners six or seven shillings, instead of three shillings and sixpence or four shillings.† The price of all the materials used in railways, especially iron, rose to an extravagant height; in December, 1846, it was at £12 a ton, more than double its former price. The immense sums circulated in wages augmented to a very great degree the consumption of butcher-meat, beer, tea, sugar and all articles of wearing apparel, which diffused prosperity through the dealers in these articles. The shuttle and the hammer rang merrily; joy and gladness, for a brief space, pervaded the land. This state of general prosperity was attended, as is always the case, with one result, at which every friend of mankind must rejoice, a sensible diminution of crime. This is generally, it may be said always,

* ALISON'S *Europe*, vol. viii.

† The following figures, quoted by Sir R. PEEL in his address to the electors of Tamworth, prove the great effect of the railway expenditure in ameliorating the condition and enlarging the consumption of the people:

ARTICLES CONSUMED.	1841.	1846.
Cocoa, lbs.	1,930,764	2,962,327
Coffee, "	28,420,980	36,781,391
Currants, cwt.	190,071	359,315
Rice, "	245,887	466,961
Pepper, lbs.	2,750,790	3,297,431
Sugar, cwt.	4,065,971	5,231,845
Molasses, "	402,422	582,665
Tea, lbs.	36,681,877	46,728,208
Tobacco and snuff, "	22,308,385	27,001,908
Brandy, galls.	1,165,137	1,515,954
Geneva, "	15,404	40,211
British spirits, "	20,642,333	23,122,581
Malt charged with duty, bush.	36,164,446	41,979,000

—Sir R. PEEL to electors of Tamworth, July, 1847.—PEEL'S *Memoirs*, ii. p. 104.

the consequence of a state of prosperity and a general increase in the demand for labor. It arises in some degree, without doubt, from the lessening of the number of those unhappy persons who are forced, by actual want and suffering, into the commission of crime. But in many more instances it is to be ascribed to the giving the working classes, generally speaking, *full occupation*; a more effectual antidote against crime, in all ranks of society, than any other which human wisdom has ever yet devised.*

Effects of the railway system on commerce and manufactures.—In one respect, the general adoption of the railway system in the British islands has proved a lasting benefit, especially to the commercial and manufacturing classes. It has in a manner brought the different workshops of the empire together, and enabled each to obtain, in an incredibly short space of time, and at a comparatively trifling expense, what it requires from the other. Immense is the advantage thence accruing to all the branches of manufacture; so great, indeed, as to have lengthened the start, already sufficiently great, which Great Britain had acquired over other nations in these respects. To the agriculturists also, especially in distant localities, it has proved a very great benefit, by bringing them, in a manner, much nearer their principal markets, and enabling butcher-meat and dairy produce of every kind to be brought even from the most distant places to the metropolis and great towns; while the inhabitants there have been equally benefited, by the lessened price at which these articles can be purchased. In one respect, however, it has been attended by a consequence by no means equally satisfactory, and which has already come to exercise an important influence upon the political balance and future destinies of the state. It has enormously increased the inhabitants and wealth, and in a proportional degree augmented the political preponderance, of the great towns. The metropolis and the great commercial and manufacturing towns having become so easy of access, the concourse of the inhabitants of the country to the vast emporiums of industry, wealth and pleasure, has been increased to an unprecedented degree. The chief purchases, even by the inhabitants of the most distant counties, are now made in them. Their wealth and population, in consequence, are rapidly augmenting, while the small towns are declining, and in many of the rural districts the numbers of the people are rapidly diminishing. London is now adding 60,000 souls annually to its numbers; Glasgow, Liverpool and Manchester, from 10,000 to 12,000 each; while from the agricultural districts of Ireland 2,000,000 human beings have emigrated during the last twelve years. This is a most serious consideration, for it augments the resemblance, in many respects so close, between the state and prospects of society in the British islands and that which characterized Italy and Greece in the declining days of the Roman empire.

Beneficial effect of the railway system.—In one respect, the railway system has bequeathed a great and enduring benefit to the species, which will survive the empire which gave it birth. It has brought to the inhabitants of the towns the means of going to the country, and to the inhab-

* PORTER, 646, 658; TOOKER on Prices, 418.

itants of the country the means of going into the towns. "Railways," says Miss MARTINEAU, "were to run not only along the margin of the southern part of the island, and round the margin of the misty Scottish mountains, but through the vale in which Furness Abbey had hitherto stood shrouded, and among old cathedrals, of which the traveler might see half a dozen in a day. It was on Easter Monday, 1844, that excursion trips, with return tickets, were first heard of. Here began the benefits of cheap pleasure-trips to the hard workers of the nation. The process had begun from which incalculable blessings were to accrue to the mind, morals and manners of the people. From this time the exclusive class was to meet the humbler classes face to face. The peer and the manufacturer and the farmer were henceforth to meet and talk in the railway carriage, and have a chance of understanding each other. The proud were to part with some of their prejudice, and the ignorant with some of their ignorance; and other walls of partition than park inclosures were to be thrown down. The operative was to see new sights hitherto quite out of his reach—the ocean, the mountain, the lake, and old ruins, and new inventions; and the London artisan was, ere long, to live within sight of trees and green fields, and yet go to his work every day. As unwholesome streets in London were pulled down, hamlets were to arise at a little distance in the country, from which the humbler classes could go and return to their daily labor in the centre of the town. The diet of millions was to be improved, fish and foreign fruits being conveyed from the town into the country, and milk, butter and vegetables, fresh from the country, into the towns. Everybody's wants were to become known by the general communication about to be established, and the supply was to reach the want and the wish. The change was vast, the prospect magnificent; but this change, like every other, had to pass, at its outset, through a wilderness of difficulties."

Bill passes reducing Railway Deposits to a half.—It can hardly be supposed that a statesman so experienced as Sir R. PEEL was really deceived by the flattering and fallacious appearances which the effects of the railway mania at first exhibited, or that he imagined present prospects were to be perpetual. Certain it is, however, that he acted as if he believed this really was to be the case. Carried away by the tumult of activity and temporary prosperity which pervaded the country, he did every thing in his power, both as an individual and the head of the government, to swell the mania in which it originated. By the existing rules of Parliament a tenth of the estimated expense of every railway was required to be deposited before the bill for promoting it was introduced. A committee was appointed to consider the subject in 1844, and it recommended that the deposit-money should be reduced a half, or to a twentieth, which was immediately made the foundation of a bill, which obtained the sanction of Parliament in the same session. To this great concession in favor of speculation, the vast increase in it which so soon after took place, and the unbounded effects which thence arose, are in a great measure to be ascribed. The general fervor on the subject was ere long still further inflamed by the imposing ceremony which took place at the commencement of the Trent Valley Railway, when Sir R. PEEL in person, with a silver trowel, turned up the first sod, which was followed

by the most enthusiastic speeches on the unbounded prospects which these undertakings were to open to the country.*

Its vast Effect in stimulating these Undertakings.—To appreciate the immense effect this reduction in the sums required as deposits to be paid had in stimulating these extraordinary undertakings, it is only necessary to refer to the official account of the railways for which plans were deposited in terms of the act of Parliament up to the 31st December, 1845. The number of these lines for which plans were lodged was, in 1844, 248; but in 1845 it had risen to the enormous amount of 815! The sums deposited on the lines in the first year were £6,432,155, and the estimated sums to complete the undertakings were £44,927,000. In the succeeding year, however, the capital required to be paid on deposits for new projects was £59,136,000; the sum of £60,927,000 had been already expended on the lines in the course of execution; and the liabilities connected with the new projects, after deducting the deposits paid, amounted to the enormous and almost fabulous sum of £590,447,000! It is difficult to say to what state the country would have been reduced if these wild speculations had all been carried into execution; and nothing can illustrate so strongly the extreme peril of the course on which government had now adventured, in first passing a bank charter act, which in effect compelled the bank, and all other banks, to lower their discounts to three per cent., and then a railway act, which reduced the sums required to be paid in deposit on the projected lines from ten to five per cent.†

Flourishing State of Trade and the Revenue.—Like many other rash and imprudent courses of conduct, however fraught with lasting and perilous consequences, the measures of government at this period were attended by immediate and flattering benefits. The path which led directly over the abyss was in the outset strewed with flowers. The prosperous condition of all the great interests in the country was unequivocally evinced in the returns of its trade, manufactures, shipping and revenue. The imports between 1842 and 1847 rose from £65,000,000 to £90,000,000; and the exports from £47,000,000 to £58,000,000. The revenue, notwithstanding a reduction of taxation in these five years of about £6,000,000, which more than compensated the income-tax, had advanced from £48,500,000 to £51,500,000. The shipping in the same period rose from 4,600,000 tons to above 7,000,000 tons, indicating an increase of at least fifty per cent. in the bulk and weight of the exports and imports of the country.‡ All this took place not only without any

* ALISON'S *Europe*, vol. viii.; DOUBLEDAY, ii. 390; *Parl. Deb.* lxxiii. 516, 519; *Ann. Reg.* 1845, 178; MART. ii. 629.

† ALISON'S *Europe*, vol. viii.; Official Table, *Ann. Reg.* 1845, 178, *Chron.*

‡ EXPORTS, IMPORTS AND REVENUE OF GREAT BRITAIN, AND SHIPPING AND POOR RATES OF ENGLAND, FROM 1842 TO 1847, BOTH INCLUDED.

YEARS.	Exports, Declared Value.	Imports, Computed Value.	Revenue.	Shipping, Tons.	Poor Rates, England.	Number of Paupers, England.
1842,	£ 47,381,023 ..	£ 65,204,729 ..	£ 48,580,026 ..	4,627,446 ..	£ 4,912,498 ..	1,427,187
1843,	52,278,449 ..	70,008,858 ..	52,582,847 ..	4,977,266 ..	5,208,027 ..	1,589,490
1844,	58,584,292 ..	85,441,555 ..	54,063,754 ..	5,297,168 ..	4,976,098 ..	1,475,761
1845,	60,111,081 ..	85,281,958 ..	53,060,354 ..	6,081,587 ..	5,089,708 ..	1,470,970
1846,	57,786,875 ..	75,953,875 ..	53,790,138 ..	6,314,571 ..	4,954,204 ..	1,382,089
1847,	58,842,377 ..	90,921,866 ..	51,546,265 ..	7,083,163 ..	5,2987,87 ..	1,721,356

—PORTER'S *Progress of the Nation*, pp. 356, 399, 475, 94, 90.

increase, but with an extraordinary diminution in our imports of food, which, till the disastrous years of 1846 and 1847, which witnessed the Irish famine, had sunk to little more than 300,000 quarters of wheat a year! It must be confessed that this extraordinary flood of prosperity, enduring for five years immediately succeeding a corresponding period of unmitigated adversity which had preceded it, afforded a just subject of congratulation to the prime minister, and seemed to warrant the confidence of the country in a statesman whose magic wand had so quickly converted desolation and ruin into riches and prosperity.

Sir R. PEEL's favorable Financial Statement.—Sir R. PEEL made an adroit use of the flood of prosperity which, from a temporary cause, was thus poured upon the country, to carry out, to a much greater extent than he had hitherto done, the new commercial policy with which he conceived the well-being of the country was indissolubly wound up. He was enabled to meet the Parliament of 1845 in the most triumphant manner. The wisdom of his policy seemed to be established, beyond the possibility of doubt, by the result. Instead of the woful tale of a deficit, which under the administration of his predecessors had so often sickened the heart of the nation, he was to come forward with the glad tidings of a large surplus. Supposing, he said, the property-tax to be continued, the revenue in the year ending 5th April, 1846, would amount to £53,700,000, and the expenditure would be only £49,000,000, even after taking into account an increase of £1,000,000 for the service of the navy, which he most wisely proposed. But as £600,000 of this surplus consisted of payments from China, which would only continue a year more, he would take the income at £53,100,000, leaving a surplus of £3,400,000 when the additional estimates for the navy were taken into consideration.*

Continuance of the Income-Tax, and Repeal of more indirect Taxes.—“I now approach,” said Sir ROBERT, “the most important question of all, which is, how we are to dispose of this surplus. I propose to do so by *continuing the income-tax, and making a great reduction in the duties on consumption.* I would not have proposed this if I had not felt the strongest persuasion that, by continuing the income-tax, it will be in the power of the House to make arrangements with respect to taxation which will be the foundation of great future *commercial* prosperity, and which will add materially to the comforts of those who are called upon to contribute to it. In considering the taxes on consumption which are to be reduced, the points to be taken into view are, the weight of the taxes which enter into the price of articles of general consumption, those which press most heavily on the raw materials which constitute the staple manufactures of the country, the comparative expense incurred in their collection, and which taxes, if removed, would give most scope to the commercial enterprise of the country. These are the objects which government have had in view in the selection of taxes for reduction, which I am about to propose. I do not propose to maintain any *considerable surplus of income over expenditure*; but, in the conviction that the House will at all events maintain public credit, I shall propose a reduction of certain duties

* ALISON's *Europe*, vol. viii.; *Ann. Reg.* 1845, 24; *Parl. Deb.* lxxvii. 455, 497.

which are rather onerous than productive. First, to begin with sugar, I propose to lower the duty on brown muscovado from 25s. 3d. to 14s. On East India sugar of the same description the duty to be 18s. 8d., and on free-labor foreign sugar 23s. 3d. The effect of these changes will be, I think, to lower the price of sugar 1½d. a pound, at a cost to the revenue of £1,300,000 a year. The export duty on coals I propose to take away altogether, at a cost of £120,000. On the raw materials employed in manufactures, 813 in number, I propose to remove altogether the duty on 430, which will get rid of a vast number of troublesome accounts, and no small amount of expense; and release altogether from duty the important raw materials of silk, hemp, flax, certain kinds of yarns, furniture woods, animal and vegetable manures, and a great variety of lesser articles. The entire loss to the treasury from these reductions will be only £320,000, and the relief to the country immense. The duty on cotton wool is to be entirely taken off, at a loss of £680,000 to the exchequer. The duty on glass is from 200 to 300 per cent. on the cost of the manufactured article—a burden which renders competition impossible with the manufacturers of France, Belgium and Bohemia. I propose to take this tax off altogether, which will occasion a loss to the revenue of £642,000. These reductions taken together amount to £3,338,000, being within a trifle of the surplus of £3,409,000 with which the House has to deal. In consideration of these reductions, and of the benefit they will confer upon the country, I propose the further continuance, for the limited period of three years, of the income tax.”

Mr. BARING's *Objection to it*.—On the other hand, it was contended by Mr. BARING: “Sir R. PEEL originally demanded the income tax for three years as a means of temporarily restoring the revenue, upon the promise that the tax, when this had been effected, was to be removed; but what is the state of the finances now? On the face of his own estimate, the income in the ensuing year, if you deduct from it the income tax and the Chinese payments, is only £47,900,000, and the expenditure £49,700,000, leaving a deficiency in the revenue, as it stood before it was laid on, of £1,800,000. This is a circumstance well worthy of consideration. You imposed the income tax to close a deficiency and compensate a large reduction of indirect taxation, and after a trial of three years in a period of profound and universal peace, and when the public revenues during all that time have been largely benefited by the Chinese payments, the income has not recovered itself, and but for that tax the nation would be still in an annual deficiency of nearly £2,000,000. Your boasted surplus is entirely made up of the income tax; and, markworthy circumstance, the effect of the large repeal of the indirect taxes made three years ago has not been, as was predicted, to restore the revenue in other quarters, but were it not for the direct income tax the exchequer would still be in a state of lamentable deficiency. Sir R. PEEL has calculated the surplus, even with the income tax kept on, at only £90,000; and that excess, small as it is, rests entirely upon the supposition of an increased consumption which was by no means sure of being realized. We are told that the selection of articles on which the tax is to be remitted has been made on the principle of being able to take off the entire income tax at the end of three more years; but in proceeding on that supposition, it is

much to be feared he is repeating again the too sanguine anticipations of 'Prosperity ROBINSON,' who took off taxes to the amount of three or four millions, expecting that in three years the revenue would, in consequence, increase five millions.

"The facts by no means warrant these expectations. Nothing is so fallacious in principle, or has been so often disproved in practice, as the assertion, now so often repeated, that the only way to insure an increase of the revenue is to lower the duties. The contrary has been decisively established by experience; scarcely an instance is to be found in our annals of a considerable remission of taxation being followed by such an increase of consumption as compensated the loss to the revenue. In 1816 the revenue was £71,900,000; taxes were taken off to the amount of £17,500,000; and in 1819 the revenue was only £52,155,000, showing a difference of £19,745,000; and proving that the other branches of the revenue, so far from having improved by this great reduction of taxes, had actually fallen off in the next three years by £2,000,000, even after deducting from the deficiency the whole amount of the taxes remitted. In the five years ending in 1826 the taxes remitted were £13,000,000, and the revenue was not restored by about £4,000,000. In the three years ending in 1829 the taxes taken off were £9,600,000; but even in 1839 the revenue had not recovered the loss by £4,600,000. Between 1815 and 1830 the taxes taken off were £33,000,000; and the loss to the revenue was £22,000,000. In the face of these facts, so uniform and so long continued, what ground is there for believing that the effect of the present remission of taxes will be different, or that increased consumption will now for the first time follow diminished duties? It is too evident that the expectation is entirely illusory; increased consumption will never compensate seriously diminished indirect taxation, and if the house agrees to remit the duties on consumption now proposed for reduction, it is equivalent to consenting forever to what he has himself called 'the dire scourge of direct taxation.'"*

So entirely were the views of the chancellor of the exchequer in harmony with the ideas of the great majority of the house, that the bill passed, with very little opposition, by a majority of 208, the numbers being 263 to 55.

Sir R. PEEL'S concluding Address.—"In proposing the measures of commercial policy," said Sir R. PEEL, "which have disintituled them to the confidence of those who have hitherto given them their support, government had no other desire but to promote the good of the country. Our object was to avert dangers which we thought were imminent, and to avoid a conflict which we believed would place in hostile collision great and powerful classes in this country. The love of power was not their motive; for I was well aware that, whether accompanied by failure or success, one event must necessarily occur, and that was the termination of the existence of the government. I admit that the withdrawal of the confidence of many of our friends was the natural consequence of the measures we proposed; and I do think, when measures of that kind are proposed, at variance with the course heretofore proposed by minis-

* *Parl. Deb.* lxxvii. 551, 554; *Ann. Reg.* 1845, 38, 39.

ters, the natural consequence is an expulsion from office. I therefore do not complain of it; any thing is preferable to attempting to maintain ourselves in office without the confidence of this House. There has been a combination which, together with the influence of government, has carried through these measures. But there is a name which ought to be associated with their success; but it is neither the name of the noble lord opposite (Lord J. RUSSELL) nor is it mine. Sir, the name which ought to be, and which will be, associated with the success of those measures, is the name of a man who, acting, I believe, from pure disinterested motives, has advocated their cause with untiring energy, and by appeals to reason, enforced by an eloquence the more to be admired that it was unaffected and unadorned—the name that ought to be, and will be associated with them, is that of RICHARD COBDEN.

“I shall now close the address which it has been my duty to make, thanking the House sincerely for the favor with which they have listened to this, my last address, in my official capacity. Within a few hours the power I have held for five years will have passed into the hands of another. I say it without repining, and with a more lively recollection of the support I have received than the opposition I have encountered. I shall, I fear, leave office with a name severely censured by many honorable men, who, on public principle, deeply lament the severance of party ties, not from any selfish or interested motives, but because they believe fidelity to party, and the existence of great parties, to be powerful instruments of good government. I shall surrender power severely censured by many honorable men, who, from no interested motives, have adhered to the principles of protection, because they looked upon them as important to the welfare and interests of the country. I shall leave a name execrated by every monopolist who, professing honorable opinions, would maintain protection for his own individual benefit. But it may be that I shall be sometimes remembered with good-will in those places which are the abodes of men whose lot it is to labor and earn their daily bread by the sweat of their brow; in such places, perhaps, my name may be remembered with expressions of good will, when those who inhabit them recruit their exhausted strength with abundant and untaxed food, the sweeter because no longer leavened with a sense of injustice.”*

* ALISON'S *Europe*, vol. viii.; *Parl. Deb.* lxxxvii. 1054, 1056; *Ann. Reg.* 1846, 157, 159.

CHAPTER III.

FROM THE INTRODUCTION OF FREE TRADE AND FALL OF SIR ROBERT PEEL IN JUNE, 1846, TO THE SUPPRESSION OF THE CHARTIST INSURRECTION IN APRIL, 1848.

THUS was free trade introduced, and the great Tory party split asunder by the act of its protectionist chief! The effects of this change of policy and dislocation of parties have been great and decisive, and extended far beyond the lifetime or sphere of the persons who were instrumental in bringing it about. It has diffused, for a very long period, perhaps forever, in Great Britain, a distrust in public men—a disbelief either in fixity of policy or adherence to principle in the rulers of the State.

In 1846, the debate on colonial sugar and trade took place. Lord JOHN RUSSELL said, "that sugar had been virtually excluded from the market since the final emancipation of the slaves in 1837, a period now of nine years, and all the efforts of the producers of sugar in our own colonies have been unable to keep pace with the demand, or prevent the price of the article rising, as it is now doing, to what, as to it, amounts to a famine level. There is an absolute necessity, therefore, of recurring to the slave States for a supply of this necessary article of consumption. Indeed, the exclusion of slave-grown sugar, under the present prohibitory system, is impracticable, for the slave States are in possession of treaties under which they are entitled to demand the admission of their slave-grown sugar on the same terms as the most favored nation. Under the present system the discouragement to slavery in the slave States is more apparent than real, because the slave-growers find a market for their produce in other countries into which it obtains free admission, whence they receive supplies in return, which come from Great Britain, so that there is a virtual exchange of English manufactures for foreign slave sugar. The Spanish slave planters might just as well send their sugar direct to this country in exchange for our manufactures, as to do so by means of this intervening transaction.

"If you admit foreign slave sugar on any thing like an equality with British free-grown, you give an encouragement to slavery, and go back upon all your own enactments for the emancipation of the negroes—though specious in appearance, has no solid foundation. No such bar as is contended for in the case of sugar is imposed upon slave produce in other articles, as cotton, tobacco, copper and many others. Nobody can deny that the vast consumption of these articles, especially the two first, in this country, gives an impulse to slavery in the United States; but has any one yet been bold enough to affirm that, before admitting the American cotton into our harbors, we must insist on their solving the tremendous problem hanging over their heads in the United States, and emancipating all the negroes by whose hands the cotton has been raised? Such a proposal would be little short of insanity; and yet, if there is any foundation for the argument that we should keep up the heavy import duties on for-

eign slave-grown sugar to discourage slavery, we unquestionably, to be consistent, should apply the same principle to American slave-grown cotton."*

The Irish Famine.—It is conceded that the Irish famine of 1846, and its effects in subsequent years, form the most terrible calamity in modern times, and which, in the rapidity with which it mowed down the human race, greatly exceeded any thing recorded in the annals either of war or pestilence. Even the Moscow retreat, or the siege of Sebastopol, occasioned, while they lasted, a much less destruction of mankind. If to this we add the astonishing fact of an emigration having taken place from the country to the extent of above 2,000,000 souls in eight years after, it may safely be affirmed that the calamity, both in present magnitude and ultimate importance, is unparalleled in authentic history. It demonstrates, in the most striking manner, the enormous extent of the social evils under which Ireland labored, when Providence adopted such awful means to remedy them, and strikingly illustrates the limited extent of human vision on the subject, when narrowed by party ambition. All that the collected wisdom of the nation in the House of Commons could suggest during forty years had been to admit forty landless Catholics into Parliament, give every starving peasant with £5 a year a municipal vote, and take £200,000 a year from the church to devote it to the purposes of secular education. But if both governors and governed were grievously at fault in the conduct of Irish affairs before the visitation of Providence fell upon them, yet it must be added, to their honor, that both nobly redeemed their errors when it arrived. Never did government meet a great national calamity in a more intrepid and generous spirit; never did the distant and the affluent aid them more nobly in their efforts to mitigate it; never did the sufferers bear their pains with more patience and magnanimity, or evince a more magnificent proof of domestic affection, than in the efforts made by such as survived to extricate their relatives from the scene of woe.

Lord GEORGE BENTINCK'S project for Irish Railways.—So completely did the all-engrossing subject of the Irish famine absorb the attention both of the legislature and the public during this disastrous year, that scarcely any other subject for a long period occupied the attention of Parliament. The debates on the subject, however, which were full, earnest, and full of patriotic and philanthropic feeling, have lost much of their interest in consequence of the publication of the authentic records and parliamentary tables, of which an abstract has now been given. One project advanced on the subject deserves particular attention, both from the energy and talent with which it was supported, and the immense accumulation of facts bearing on the state of Ireland which it brought to light. Lord GEORGE BENTINCK had meditated deeply on the condition of Ireland, and the means of affording it relief; and it appeared to him that these means were to be found in the extension to that country of the causes which had relieved Great Britain in 1841 and 1842. England was then in nearly as deplorable a state as Ireland was at this time. Fifteen hundred thousand persons were then maintained by the poor-rates, of whom 483,000 were able-bodied laborers. What, then, absorbed this immense mass of starving *prolétaires*, and induced in its stead the vast

* ALISON'S *Europe*, vol. viii.

demand for labor and general prosperity of 1845 and 1846? It was ridiculous to ascribe this to the tariff and reduction of import duties. So great a change could never have been produced by lowering the price of bread a penny, and that of meat three half pence a pound, or cotton five-sixteenths of a penny. It was something affecting the *demand for labor*, not the price of commodities, which must have caused the change, and what this something was could admit of no doubt. It was railway enterprise which effected the prodigy; it was the expenditure of from fifteen to twenty millions on the wages of labor annually, for a course of years, which at once absorbed the unemployed poor, raised the remuneration they received, and, by adding immensely to their means of consumption, caused that general rise of prices which diffused general gladness and cheerfulness among all who dealt in them. It was by the extension of a similar system to Ireland that the general distress was to be mitigated, and labor employed in a permanently useful and durable form. But the poverty of the country precluded the possibility of this, except by the aid of government.*

The Panic of 1847.—The drain of gold first became serious in the beginning of April, 1847, being the time when the bills drawn to pay for the great importation of grain and flour, in the November and December preceding, became payable; in consequence of which the bank raised the rate of its discounts to 5 per cent., it having been at 3½ in the beginning of the year. In the course of the year that establishment changed the rate of its discounts *thirteen times*; and on the 5th August it was advanced to 5½, at which rate it continued till 25th October. At this time there was no undue speculation in any department of commerce or manufacture; the drain arose entirely from the immense balance of imports over exports, which the Irish famine had so fearfully augmented. The crisis, especially in the end of April, was, however, dreadfully severe. It was afterwards stated in Parliament that the 27th of that month was the most fearful day ever known in the city. Mr. BARING mentioned the case of a gentleman who was possessed of £60,000 in silver bullion, who was unable to obtain the slightest advances upon it. The bank directors, true to the principle of the act of 1844, resolutely threw out the paper even of the richest and most respectable houses; and every other bank in the country immediately did the same. Mr. LANGLEY mentioned, in the House of Commons, that in the north of England 25 per cent. was given for money. The effects were immediate and decisive. Consols, which had lately been at 93, fell to 85; exchequer bills, recently at 14 premium, were at 4 discount; mercantile paper, even of the very highest class, could nowhere be discounted. The panic was universal and unprecedented.

The crisis of 1847 was unlike any other that had ever occurred, and well illustrated the working of the new law on the subject. There was no overtrading; there was no commercial embarrassment irrespective of the monetary pressure; the credit of the Bank of England was above suspicion; there was no run upon the other banks; capital was abundant, and more than equal, as the events of the following years demon-

* ALISON'S *Europe*; DISRAELI, *Life of BENTINCK*, 338, 339.

strated, to all the undertakings which were in hand or in contemplation. There was simply and only a want of currency* to make the advances with, because the bank, restrained by the act of 1844, could not lend money with a few hundred thousand pounds only in the banking department, though in the other end they had above £8,000,000 in the issue department! †

Lord GEO. BENTINCK and Mr. BARING.—In the parliamentary debate, Lord GEORGE and Mr. BARING took ground, that “the case of the country is such as to require prompt and immediate remedies. We are brought to a dead-lock for want of money, while the credit of the bank is yet good, and it has still £9,000,000 in its coffers, which the bank act forbids it to touch. Ought we not, then, to remove those restrictions on our currency, which keep us, in a manner, starving in the midst of plenty, and are ruining the trade and credit of the country, and starving the people, in order to feed with gold that idol of some parties, the bank charter act? It has already become apparent that free trade and a restricted currency cannot work together; and since we have made our election to have the first, let us lose no time in repealing the last. We have seen the ruinous consequences of leaving the people to supply themselves, and trusting to the dogma that industry will right itself. There is now only alarm and panic in this country, but in a few weeks it may turn into a sad reality; for under the present system we are every day getting nearer a still more fearful state of things, the effects of which may be so disastrous that nothing like it has been experienced in Europe. How is such a calamity to be averted? Experience tells us how this is to be done in the clearest manner. In 1793 our trade was in difficulties; Mr. PITT at once relieved it by an issue of £5,000,000 to the mercantile interest. In 1816, when there were two thousand bankruptcies within the year, government postponed for three years the resumption of cash payments, which was equivalent to a large supply of notes to the money market, and the country immediately revived, and enjoyed prosperity till 1819, when cash payments were resumed, and immediately the most fearful distress followed. From this the country was rescued by an issue, in 1822, of £1 and £2 notes, and an obligation to allow them to circulate for ten years. Then came the terrible crisis of 1825-’26, when the country was within twenty-four hours of barter. The crisis was stopped, not by any supply of gold, but by the accidental discovery of one million £1 notes in an old box in the vaults of the Bank of England, the issue of which immediately satisfied the wants of the country. Resting on these precedents, I think myself justified in calling on the House to set the Bank of England free, and restore confidence to the mercantile world. I would apply to the bank charter act, which had not produced any good fruit, the language which had been applied to the barren fig-tree, ‘Cut it down; why cumbereth it the ground?’

“There is at present, and has been for ten days, a total want of the means of obtaining accommodation by the most solvent houses upon undoubted security, and that because the Bank of England, by its charter, is unable to afford it. I know an instance where it was found impossible to raise a penny upon £60,000 worth of silver, a precious metal which is

* For currency we should read *grain*.—*Ed.*

† *AUSON'S Europe*, vol. viii.

a legal tender in most parts of the civilized world. It was not a question of price with the bank, but a question affecting its own safety. The bank could only issue notes on silver to the extent of one-fifth of the bullion in the bank; and that they had not, so they could not purchase the silver. When we come to a drain of gold to meet an unavoidable want, there must be some means of avoiding measures by which the commerce of the country will be dislocated. That commerce is carried on almost entirely on a system of credit. If you drive it to a ready money system, you at once paralyze it in the manufacturing districts. What is required is to give facilities for exports, in order to be able to pay for the corn which we must import in manufactured goods instead of bullion. But the houses in Manchester cannot carry on their trade on four months' bills, which are valueless, as they now are, when they take them for discount into Lombard-street. How can the mercantile interest carry on the export trade, which must be conducted on credit, when all accommodation was refused them? The country has exported perhaps £700,000 of gold, and the effect of this export has been to destroy property to the extent of £100,000,000! Is there any necessary connection, or any connection other than that founded on arbitrary regulation, between these two things? Foreign countries will take gold to any extent at once, but manufactures they will only take as they want them, which is during a course of years. Therefore, you must give them time for the demand to grow up and the supply to be furnished. But how is either to arise, when a system is pursued in this country which is bringing all our manufactures to a state of bankruptcy?*

"It is in vain to ascribe our present difficulties either to the extent of railway enterprise, or the imprudent conduct of the Bank of England. Where were the difficulties arising from railways in August last, when the bank was discounting bills at $2\frac{1}{2}$ per cent., though bills involving an expenditure of £120,000,000 had passed Parliament? The true cause of the present embarrassment is the vast exportation of gold which has taken place, partly to purchase grain, partly to pay for the balance of unrestricted imports.† It is the bank act which is grinding the trade and commerce of the country, by forcing the bank directors to contract their issues, against their wish, and against the evident interests of the country, whenever an adverse state of the exchange drives gold out of the country. It has been said that 'corporations have no souls;' but if it is so, I am sure that cabinets have no hearts. What can be so monstrous as to make the credit, enterprise and industry of a country, teeming with all the three, stagnate and go to ruin, merely because the bank cannot retain in their coffers gold—the most mercurial and evanescent of earthly things? It can be no more right that the Bank of England should be tied down beforehand to a particular amount of issues, under various circumstances, than it would be right to pass a law obliging ships in all weathers to carry either studding-sails or foresails. By this law we are put in the extraordinary position, that though trade is in danger of being

* The preceding paragraph is taken from Mr. BARING's speech.—*Parl. Deb.* xcii. 635, 636.

† Call it *overtrading* or *speculation*.—*Ed.*

destroyed for want of the assistance of the bank, and the bank is both most willing and able to give that assistance, she is shackled and prevented from doing so by the operation of this law. It is just as if, when one strong man was standing on the bank of a river in which another man was drowning, the law were to step in and bind the willing and ready arms of him on the bank, so as to make it impossible to save the other who was drowning.”*

Answer of the Government and Sir R. PEEL.—On the other hand it was argued by the chancellor of the exchequer (Mr. CARDWELL) and Sir R. PEEL: “We must take care lest, in seeking relief from the repeal of the act of 1844, we incur the risk of aggravating incalculably the present difficulties of the country. We are now suffering from an unexpected deficiency of food, from a spirit of speculation which had run riot in 1845, and from an extraordinary failure of the cotton crop, which has increased, to an unprecedented degree, the price of the raw material of one of the staple manufactures of the country. There is no country exposed to the triple pressure of three such causes which would not feel it most severely, no matter what modification may be made in the charter of the bank, or what amount of £1 notes it might have in circulation. Are the gentlemen who urge such measures aware of the state of the law which would be restored if the bank charter were repealed? Are they prepared to let in again the law by which all country banks were at liberty to issue notes to any extent, and the Bank of England might do the same on its own responsibility, and without reference to the state of the exchanges? In that case, what security will exist against a recurrence of the disorders of 1838 and 1839? The main object of the act of 1844 was to prevent these disorders; and it proposed to do this by rendering perpetual the convertibility of paper into gold. This must at all times limit the circulation, because the consciousness of the impending necessity to pay in gold will check imprudent advances. On the other hand, this risk will be instantly augmented by an issue of inconvertible paper to any amount, because the immediate effect of that will be to open the way to fresh speculations and undertakings, which can end in nothing but an increased run on the bank for gold.

“The slightest consideration of the causes which, independent of the act of 1844, have been acting, not only upon this country, but on the whole civilized world, must convince us that it is in them, and not in the operation of that act, that the real cause of the distress under which the country is now laboring is to be found. We have it on official authority that the destruction of the potatoes and cereal crops in Ireland alone has been to the extent of £16,000,000. It is difficult to over-estimate the effect of such a sudden abstraction of capital, especially when it is caused by such a calamity as a scarcity of food. Nor has the calamity been confined to this country. Scotland, France, Belgium, Holland, have also, in some degree, suffered under it, and the countries on the banks of the Rhine are sustaining extreme pressure in consequence. All these countries are looking to the United States as the only source from whence food is to be derived. What effect must not that have had in paralyzing

* ALISON'S *Europe*, vol. viii. ; *Parl. Deb.* xcii. 618, 634 ; *Ann. Reg.* 1847, 99, 101.

our trade, in deranging our ordinary commercial speculations, and depriving us of the usual markets for our manufactures? Mr. Baring has said, that there never was a year when speculation ran riot as it did in 1845. Well, if men will speculate and run riot, depend upon it, whatever legislative measures you may pass respecting the currency, they will inevitably suffer from the consequences of their actions. Thus, in addition to the failure of food, you have speculation running riot, and such an investment in railways that, in the course of last year, applications were made to Parliament which, if all acceded to, would have required £340,000,000 to meet the undertaken engagements. In addition to all this, there was a very great failure of the cotton crop, which has enhanced enormously the price of the raw material of the great staple of our manufacture. How absurd, then, to charge the effects of these great and manifold calamities against the bank charter act!

“Are those who are now so ready to throw the blame of every disaster on the bank charter act aware that, in 1814, 1815 and 1816, when we had an inconvertible paper currency, 240 private banks failed? Recollect what took place in 1839, when the bank had the power of issuing notes irrespective of the exchanges. Why, the bank was then reduced to £1,600,000 in gold, and there was every prospect of its being unable to fulfil its engagements. Always bear in mind what was the object of the act of 1844. The main object of that act was to insure the convertibility of paper into gold, and to prevent, in times of difficulty and distress, the temptation to which it is so easy to yield, of giving accommodation by issuing paper without reference to the exchanges, and thereby purchasing temporary ease by afterward aggravating the commercial pressure by a panic which leads to a demand for gold in exchange for paper. It is of the utmost importance that, in those periods of commercial difficulty, we should not be exposed to that other difficulty which so much aggravates the first—a run upon the bank, in consequence of doubts of its ability to pay its notes in gold. What would be the state of affairs now if, in addition to the state of things so strongly dwelt on on the other side, we had a pressure on the bank for gold? What would have been the state of things if the act of 1844 had not been passed? Suppose there had been, on the part of every country bank, while this riotous speculation in railways existed, a power of fostering it by uncontrolled issues of paper; would the state of affairs have been as advantageous as it is? Severe as I admit the pressure to be, and deeply as I regret it, yet can any man deny that the act of 1844, controlling the issues by country banks in a time of rash speculation, affords security for ultimate solvency? Would not speculation, without that check, even now admitted to have run riot, have precipitated us to the verge of ruin?

“It is said the government should possess a dispensing power to authorize the bank, under extraordinary circumstances, to increase their issues. We were decidedly of opinion, when the bank charter act was passed, it should possess no such power. The whole objects of the act would have been frustrated if it was known that such a dispensing power existed in any quarter. If any functionaries, as the first lord of the treasury and the chancellor of the exchequer, possessed any such power, application would be made to them, from all quarters, calling on

them to exercise it; the precaution which individuals ought to take would be neglected, and every mere temporary measure would be declared irremediable, otherwise than by the exercise of the power so possessed by the government. We were well aware of the memorial of the London bankers, which recommended the adoption of such a discretionary power by the government; but we declined to embrace it, being desirous to leave the responsibility of its banking operations to the bank directors, and to control them absolutely, as we have done, only in the issue department. If I thought that any relief would be afforded to the country by a relaxation of the bank charter act, no pedantic adherence to formerly expressed opinions would prevent me from recommending it. But as it is my firm belief, founded on the information at present in my possession, that any relaxation of the act authorizing the issue of £2,000,000 of notes on exchequer bills would only aggravate the evil, and purchase present relief by future suffering, I feel it my duty to give it my most decided opposition. Depend upon it, if you attempt to purchase present relief by endangering the convertibility of paper, you will inflict a severe blow on the prosperity of the country; you will shake all confidence in the medium of exchange, and depreciate the value of property of every description.”*

No resolution of the House followed on this debate, as, in truth, a motion of a mere formal nature was alone before it when it took place. The decided opinion, however, expressed by ministers and Sir R. PEEL, against any modification of the bank act, had a great effect, and encouraged the directors of the bank in that steady refusal of accommodation which, while it averted the danger from themselves, did so only by spreading it fearfully throughout the community. Some gold arrivals, however, came opportunely at this time, which postponed the risk; and the bank directors, encouraged by this circumstance, at the suggestion of the chancellor of the exchequer, considerably augmented their discounts, which had the effect of materially relieving, in the mean time, the pressure on the money market, and postponing, till the end of autumn, the catastrophe which was approaching.

This debate, however, is highly interesting, not merely as containing an admirable summary of all that either was or could be advanced on either side of this all-important subject, but as evincing a striking instance of the rhetorical skill of the very eminent statesman who took so prominent a part in defence of the bank charter act. It is not easy to say which is most to be admired—the cogency of the arguments adduced on his own side of the question, or the skill with which he evaded every consideration which tended to the other side. Sir R. PEEL observed, with truth, that one cause of the monetary crisis of 1847 was the country having “run riot” in 1845 with railway speculations; but he forgot to add, what was equally true, that that very “running riot” had been induced by his own measure in reducing the deposits on railway shares from 10 to 5 per cent., and the effect of the bank act itself, which immediately threw down the rate of discount from 4 to $2\frac{1}{2}$ per cent. He

* ALISON'S *Europe*; *Parl. Deb.* xcii. 658, 690; *Ann. Reg.* 1847, 103, 105.

dwelt with justice and force on the aggravation which the railway mania would have received from an unlimited issue of notes by irresponsible country bankers when it was going on; but he seemed to be insensible to the far more serious aggravation which it had received from that act, which compelled the bank to purchase every ounce of gold brought to its doors, and thus rendered inevitable the efflux of notes, whether required or not, simultaneously with the influx of foreign treasure. He dwelt on the vehement excitement and excessive undertakings of the last three years, forgetting that this excitement, and the demand for labor consequent on it, had been the subject of constant and just self-congratulation by him when it was going on, and was ascribed by him entirely to his own free-trade measures. He described, with force and justice, the grievous nature of the deficiency of £16,000,000 in agricultural produce, which had arisen from the potato rot in Ireland, and the necessary derangement of the currency, which resulted from the purchase of so large a part of the national subsistence with gold; forgetting that this casual and passing calamity was what his free-trade measures had rendered the chronic and settled malady of the country. He dwelt on the inconveniences arising from the high price of cotton, in consequence of a shortcoming of the crop in 1846; forgetting how much the effects of that scarcity had been aggravated by the free-trade measures which had rendered the importation of that article so immense in the two preceding years.*

Commercial Embarrassments.—It was no wonder that the attention of the country was fixed on other objects than the hustings, for the appearances in the commercial world had now become threatening in the extreme. The panic, which had been so severe in April, had indeed passed away, chiefly from the announcement received in the beginning of May that the Emperor of Russia was about to invest a portion of his accumulated treasure, amounting to 30,000,000 silver roubles, (£4,750,000,) in the public funds of France and England. This was the first time that the gold mines of the Ural mountains, now producing £3,000,000 annually, had been brought, on a large scale, to bear on the money market of Western Europe, and the effect was very considerable, chiefly by diminishing the terror of an increased demand for gold to pay for the immense importations of food which were still going on. The season also was favorable, and hopes were entertained, which were happily more than realized, of an abundant harvest in autumn. From this cause, joined to the great amount of the imported grain, the prices of food fell considerably in the end of May and beginning of June; but the pressure for money, owing to the combined effect of the immense importations and heavy railway calls, was such that no reduction of the current rate of interest took place, which still remained at five per cent. The sums lent abroad in that year were £33,000,000, and the expenditure on railways £47,000,000.

Increased Monetary Pressure in August.—These causes necessarily renewed the pressure, and it became very severe in August, when the rate of discount at the bank rose to 5½, while the bank reserve sunk to

* ALISON'S *Europe*, vol. viii, TOOME, iv. 312, 314.

£4,704,000 against £14,000,000 liabilities; and consols, which had stood at 93 in the beginning of the year, fell rapidly to 85. These were sufficiently strong premonitory symptoms, but the government did not take the alarm, and persisted in the belief that, under the admirably constructed self-balancing system of 1844, the currency would right itself without any serious detriment to the general interests of the community. This idea was increased by the fineness of the season and abundance of the harvest, which was so remarkable that, on the suggestion of the government, a general thanksgiving was returned to Almighty God for the blessing. But though this lessened a danger of one kind, it induced another hardly less serious, which was the immediate cause of bringing on the catastrophe which was approaching. One after another the greatest houses in the corn trade came down, and with them a whole host of the lesser firms engaged in the same traffic, or involved with them in business. The effect of these failures, of course, was to augment, in a most serious degree, both the demand for money and the general alarm. Every thing tended to the same point, and that was an augmented pressure on the bank for advances which the bank charter act left them absolutely without the means of meeting. Free trade had landed the country in a balance of imports over exports, requiring for the most part to be paid in gold, which had come now to exceed £40,000,000 a year; the Irish famine had sent half as much out of the country to buy food; railway undertakings required an expenditure at home of above £40,000,000 a year, and the great houses which had so largely imported grain were assailed by a fall in the article to little more than half of its prices three months before. Never was there a time in European history when, from the combination of so many concurring causes, large bank advances to support credit and carry on undertakings were so loudly called for, and the bank had ample means to meet them, for they had still £9,000,000 in their coffers. But here the bank charter stepped in and locked up £8,000,000 sterling, amidst the universal pressure, in the issue department. Reduced to £1,000,000 in the banking department, the directors were compelled to be extremely cautious, and accordingly on 1st October they intimated that "5½ would be charged on all bills falling due before the 15th October, and that they *declined to make any advance on stock or exchequer bills.*"*

Commercial Bankruptcies.—This announcement produced, as might have been expected, a fearful impression on the stock exchange. Consols rapidly fell from 85 to 83½; exchequer bills were at 37s. discount; and such was the pressure for money that interest at the rate of 50 per cent. was given for the use of it for only nine days. The failure of mercantile firms of the oldest standing and the highest respectability, beginning with that of GOWER, NEPHEWS & Co., soon became very frequent, and much exceeded in amount any thing recorded in British history, the severe monetary crisis of 1825 itself not excepted. It soon appeared that the crash was not to be confined to the grain trade, in which it had begun, but extended to other branches of business and banking firms. On 13th October, the Abingdon old bank came down; this was followed, on

* ALISON'S *Europe*, vol. viii. ; TOOKER, iv. 314, 315; *Economist*, Oct. 9, 1847.

18th, by the stoppage of the Royal Bank of Liverpool, which was the more alarming as its paid-up capital was known to be £800,000, and it stood in the very front rank of the banking institutions of the kingdom. Consols, in consequence, fell to $77\frac{3}{4}$ —a fall of 15 per cent. from what they had been three months before, and the lowest point they reached during the crisis. Important bank failures ensued in Liverpool, Manchester, Lancashire and Newcastle. In the last-mentioned town the banking discredit was exceedingly severe, and the most important bank in the district had a very narrow escape from a suspension of payment.* The Bank of England reserve sunk, between 16th and 30th October, from £3,070,000 to £1,600,000, against £13,900,000 liabilities, and the bullion in both departments was only £8,300,000 on 23d October, while the notes in circulation still amounted to £21,200,000. In a word, the two weeks ending 23d October were an uninterrupted progression of disaster, discredit and dismay; and at the close of the week every thing portended not merely a crisis, but a *total suspension of all business and of all payments.*

Suspension of the Bank Charter Act, October 25.—Still government, supported by Sir R. PEEL, stood firm. The most earnest representations were made to them as to the state of the country, and the imminent ruin which threatened the whole of its commerce if the bank charter act were not suspended, without effect. A most respectable deputation from Liverpool, representing the trading interests of that great emporium, was coolly dismissed with an answer that the bank act must, at all hazards, be maintained. A highly important communication from the Marquis of Londonderry, as lord-lieutenant of the county of Durham, portraying the tremendous risk to which, from the suspension of credit and the want of money, the coal districts in that county were exposed, met with no better success. Even an earnest request for assistance from the Scotch banks, hitherto deemed so flourishing, failed in shaking their steady resolve to maintain, at all hazards, the convertibility of a Bank of England note. But at length they were assailed in a quarter where they had no defence, and the country, in consequence, was saved. On Friday, 22d October, the London bankers had a meeting, at which it was agreed that, if government would not sanction a deviation from the act on the part of the bank, they would withdraw their whole balances from it. This was decisive. The bankers' balances in the hands of the Bank of England were £1,774,472, and the reserve in the bank, to meet this amount, was only £1,600,025.† In these circumstances, submission was a matter of

* TOOKE, iv. 316, 317, 445, 446; *Economist*, October 23, 1847; Chancellor of Exchequer's Statement, November 30, 1847.

† "Question 2,881.—Supposing the London bankers had been, from the pressure upon them, obliged to withdraw a large amount of the balance which, I believe, equalled pretty nearly the amount of your reserve on the 22d October, what would have been the effect? On the 22d October, the reserve in London was £1,600,025, and in the country £776,447, making together £2,376,472. *The bankers' balances were £1,774,472.* Supposing their balances had been withdrawn from us in the course of business, we should have had an opportunity of going into the market, and, by *selling securities*, we should have strengthened ourselves by taking notes out of the market, and then met the bankers' demand."—Mr. MORRIS' (the governor of the Bank of England) examination; *First Report on Commercial Distress*, 1848, p. 221.

necessity. The bankers' resolution was communicated to government on Saturday, 23d, and early on Monday, 25th, the celebrated letter, signed by Lord JOHN RUSSELL and the chancellor of the exchequer was sent to the bank, authorizing a deviation from the act.* That which neither a representation of the impending ruin of Liverpool and the manufacturing districts of Lancashire, nor the prospect of a hundred thousand colliers being thrown out of bread in the mining districts could effect, was at once brought about by the dread of the bank being "checked out," in mercantile phrase, by the drafts of the London bankers. The bank was authorized to issue notes beyond the limit prescribed by the act; and, in the mean time, the rate of interest was fixed at 8 per cent.

Reflections on this Change.—Thus did the famous bank charter act, after having been three years in unrestrained operation, break down from the effect of its own provisions, but not until it had brought the country to the very verge of ruin? In the first two years of that period, it had inflamed to a most perilous degree the prevailing passion for speculation, and set on foot undertakings of the most gigantic kind, which required all the disposable capital of the country to carry forward and complete. During the last year, it acted not less powerfully in contracting the circulation and suspending credit, at the very time when *both* were most imperatively required to carry forward the undertakings which *itself had set on foot*, and meet the effects, in the drain of gold, of the combined operation of the system of free trade, recently introduced, and the Irish famine, then in its full intensity. At this critical juncture, when, beyond any other recorded in British history, liberal paper advances were most called for to sustain the credit and currency of the country, now strained to the uttermost by so many concurring causes, the bank notes in circulation in the two islands were, by the operation of the bank charter act, CONTRACTED TO THE EXTENT OF EIGHT MILLIONS below what they had been less than two years before. It may safely be affirmed that a more ruinous and suicidal act never was perpetrated by any government on any country, and it is no wonder that it produced the most disastrous effects. And at last Sir R. PEEL and the ministers were compelled, by sheer necessity, to repeal their own act, and do that which had been the one thing needful from the beginning, viz., authorize the bank directors

* "Her Majesty's government have seen, with the deepest regret, the pressure which has existed for some weeks upon the commercial interests of the country, and that this pressure has been aggravated by a want of that confidence which is necessary for carrying on the ordinary dealings of trade. They have been in hopes that the check given to transactions of a speculative character, the transfer of capital from other countries, the influx of bullion, and the feeling which a knowledge of these circumstances might have been expected to produce, would have removed the prevailing distrust. Their hopes have, however, been disappointed, and her Majesty's government have come to the conclusion that the time has arrived when they ought to attempt, by some extraordinary and temporary measure, to restore confidence to the mercantile and manufacturing community.

"For this purpose, they recommend to the directors of the Bank of England, in the present emergency, to enlarge the amount of their discount, and advance upon approved security; but that, in order to restrain this operation within reasonable limits, a high rate of interest should be charged. In present circumstances, they would suggest that the rate of interest should not be less than 8 per cent. If this course of dealing should lead to any infringement of the existing law, her Majesty's

to "enlarge the amount of their discounts and advances upon approved security," beyond the amount authorized by law.*

Great and immediate effect of this Letter.—Never was a step taken by government attended with such immediate and beneficial effects as this. It was never required to be acted upon; the knowledge that it had been granted was of itself sufficient to dispel the panic. The statement which the chancellor of the exchequer said had been constantly made to him for a few days before: "*Let us have notes; charge 10 or 12 per cent. upon them; we do not care what the rate of interest is; we do not mean to take the notes, because we shall not want them, only tell us that we can get them, and that will at once restore confidence.*"† In Mr. HUSKISSON'S words, on a former occasion, "the stagnant and straitened circulation of the country wanted life and aid, and became every day more embarrassed, while each new calamity produced by such a state of things contributed to spread and increase the general apprehension." In this disastrous state of things, the knowledge that the bank charter act, which was the principal cause of the embarrassment, had been set aside, acted at once as a charm in restoring the suspended vitality of the country.

government will be prepared to propose to Parliament, on its meeting, a bill of indemnity. They will rely upon the discretion of the directors to reduce, as soon as possible, the amount of their notes, if any extraordinary issues should take place within the limits prescribed by law. Her Majesty's government are not insensible to the evil of any departure from the law which has placed the currency of the country upon a sound basis; but they feel confident that, in the present circumstances, the measure which they have proposed may be safely adopted; and that at the same time the main provisions of that law, and the vital principle of maintaining the convertibility of the Bank of England note, may be firmly maintained."—We are, &c., JOHN RUSSELL, CHARLES WOOD.—TOOKE, iv. 449, 450.

* TABLE SHOWING THE WHOLE BANK'S AND BANKERS' NOTES IN CIRCULATION IN THE UNITED KINGDOM, FROM JUNE, 1844, TO DECEMBER, 1851.

Mo's ENDED,	ENGLAND AND WALES.			SCOTLAND.	IRELAND.		
	<i>Bank of England.</i>	<i>Private Banks.</i>	<i>Joint-stock Banks.</i>	<i>Chartered Private & Joint-stock Banks.</i>	<i>Bank of Ireland.</i>	<i>Private & Joint-stock Banks.</i>	<i>Total for United Kingdom.</i>
1844, June 22,	20,684,000	4,743,057	3,665,104	3,117,988	3,488,300	2,080,277	37,728,726
" Dec. 7,	20,936,000	4,442,725	3,086,676	3,486,818	3,900,275	2,945,046	38,847,540
1845, June 21,	21,277,000	4,398,883	3,181,109	3,485,531	3,882,600	2,736,432	38,911,505
" Dec. 6,	22,015,000	4,569,278	3,221,883	3,804,081	4,404,975	3,811,855	41,327,022
1846, June 20,	20,553,000	4,456,629	3,128,185	3,508,655	4,119,850	2,852,176	38,618,495
" Dec. 5,	21,055,000	4,596,549	3,190,417	3,996,861	4,375,025	3,464,505	40,678,857
1847, June 19,	19,078,000	4,385,608	3,088,327	3,647,314	3,327,400	2,187,551	35,664,200
" Dec. 4,	20,161,000	3,691,304	2,576,686	3,732,585	3,175,400	2,147,341	35,484,316
1848, June 17,	18,688,000	3,623,563	2,598,625	3,437,537	2,863,300	1,797,546	33,009,121
" Dec. 2,	18,702,000	3,703,728	2,727,165	3,570,126	2,851,750	2,117,300	33,672,069
1849, June 16,	19,312,000	3,540,417	2,661,300	3,380,902	2,481,775	1,564,700	32,941,094
" Dec. 1,	19,244,000	3,676,728	2,708,093	3,500,186	2,656,225	2,017,906	33,798,138
1850, June 15,	20,401,000	3,552,821	2,745,227	3,471,528	2,530,125	1,711,686	34,412,857
" Dec. 23,	19,757,000	3,450,811	2,683,543	3,345,649	2,647,600	2,209,359	34,095,962
1851, June 14,	20,154,000	3,513,765	2,805,280	3,474,171	2,460,900	1,808,018	34,216,134
" Dec. 27,	19,899,000	3,370,976	2,678,391	3,356,974	2,470,225	2,256,542	34,032,108

—*Statistical Abstract*, No. IV. 1842-'56, p. 34.

† ALISON'S *Europe*, vol. viii.; *Parl. Deb.* xcv. 399.

The barrier which cut off the bullion in the issue department from the banking department having been removed, the pressure and apprehension which had existed for some weeks, owing to a knowledge of the smallness of the bank's reserve, and of the bullion available for banking purposes, were at once removed. Eight millions of bullion being, if required, let in to the banking department, the general terror was at an end. Hoards of bank notes and coin which had been secreted during the panic immediately came forth; and although the high rate of interest was not immediately reduced, yet merchants in good credit no longer found any difficulty in getting their notes discounted. In a word, the crisis was at an end, and the directors were ere long able to reduce the rate of interest charged at the bank, till, on 27th January, 1848, just three months after Lord JOHN RUSSELL's letter was written, it was lowered to 4 per cent.*—a decisive proof that the previous high rates had been entirely owing to a want of *currency* and not of *capital*; for unquestionably, as will immediately appear, during the intervening period the available wealth of the country, so far from increasing, had undergone a serious diminution.†

Meeting of Parliament, and Queen's Speech, Nov. 23.—As a matter of course, Parliament was called together, after this severe crisis, earlier than usual, both to deliberate on the state of the country, and to interpose the necessary sanction to the deviation authorized by ministers from the bank charter act. As might have been expected, the leading topic in the queen's speech, and in the debates which followed upon it, were the monetary crisis, and the working of that act. The speech said, "Her majesty has seen, with great concern, the distress which has for some time prevailed among the commercial classes. The embarrassments of trade were at one period aggravated by so general a feeling of distrust and of alarm, that her majesty, for the purpose of restoring confidence, authorized her ministers to recommend to the directors of the Bank of England a course of proceeding suited to such an emergency. This course might have led to an infringement of the law. Her majesty has great satisfaction in being able to inform you that the law has not been infringed, that the alarm has subsided, and that the pressure on the banking and commercial interests has been mitigated. The abundant harvest with which this country has been blessed has alleviated the evils which always accompany a want of employment in the manufacturing districts. Her majesty, however, has to lament the recurrence of severe distress in Ireland, owing to the scarcity of the usual food of the people. Her majesty trusts that this distress will be materially relieved by the exertions which have been made to carry into effect the law of last session for the support of the destitute poor. The lord-lieutenant has employed with vigor and energy the means which the law places at his disposal to detect offenders, and prevent the repetition of offences. But she feels it

* The rate of interest charged at the bank was reduced as follows:

25th October, 1847,	8 per cent.	27th January, 1848,	4 per cent.
22d November, 1847,	7 " "	15th June, 1848,	3½ " "
2d December, 1847,	6 " "	2d November, 1848,	3 " "
23d December, 1847,	5 " "		

—TOOKE, vol. iv. p. 330; vol. v. p. 238.

† TOOKE, iv. 319, 330.

her duty to ask the assistance of Parliament in taking further precautions against the perpetration of crime in certain counties and districts of Ireland.”*

Sir R. PEEL'S *Statement on the Bank Charter Act*.—Foreseeing that, in the agitated state of the commercial classes in the country, it would be impossible to prevent inquiry into the working of the bank charter act, ministers wisely resolved to take the matter into their own hands, and thereby secure the appointment of the committee of inquiry in both houses. A long and important debate, which was continued through three nights, took place on the motion made by the chancellor of the exchequer for the appointment of a committee, but as the topics and arguments were the same as those of which an abstract has already been given on a recent occasion, they need not be again recapitulated further than to notice the very important admission of Sir R. PEEL on the working of the bank charter act. The right honorable baronet said: “I do not deny that one of the objects contemplated by the act was the prevention of the convulsions which have hitherto occurred in consequence of the neglect of the Bank of England to take early precautions against the withdrawal of its treasure. I am bound to say that in that hope I have been disappointed. Looking to recent events, the depression which has since prevailed, and the numbers of houses which have been swept away, I am bound to admit that that purpose of the bill of 1844, which sought to impose, if not a legal, at least a moral obligation upon the bank, to prevent the necessity of extreme measures of stringency by timely precautions, has not been fulfilled. But the bill of 1844 had a triple object. Its first object was that in which I admit it has failed, namely, to prevent, by early and gradual, severe and sudden contraction of the currency, and the panic and confusion inseparable from it. But the bill had two other objects of at least equal importance—the one to maintain and guarantee the convertibility of the paper currency into gold, the other to prevent the difficulties which arise at all times from undue speculation being aggravated by the abuse of paper credit in the form of promissory notes. In these two objects my belief is that the bill has completely succeeded. My belief is, that you have had a guarantee for the maintenance of the principle of convertibility, such as you never had before: and that, whatever difficulties you are now suffering, those difficulties would have been greatly aggravated if you had not wisely taken the precaution of checking the unlimited issue of the notes of the Bank of England, of joint-stock banks, and of private banks.

“The country is now suffering from the diminution of its capital and the extent of its speculations, and is visiting its blame on the very measure which has prevented its difficulties being ten times greater. Every body is asking for money, and no one is willing to lend it, and parties talk of the act of 1844 being the cause of this state of things, *the real want being a want of capital*, which no government can supply. The increase of currency is not a multiplication of capital, but only a check on the industry of individuals. At all times, a low rate of interest has led to exactly the same results of increased speculation in the first instance,

* ALISON'S *Europe*, vol. viii. ; *Parl. Deb.* xcvi. 14 ; *Ann. Reg.* 1847, 188.

and of great embarrassment in the next. The results we now witness are ascribed by the gentlemen opposite to free trade and the act of 1844; but the history of the last sixty years proves that, in peace and in war, under the old standard, and before it was restored in the time of an inconvertible currency, as well as afterwards, a low rate of interest had always produced the same melancholy results. It was so in the panics of 1784, 1793, 1810, 1819, 1826, 1836, 1837. If you repeal the act of 1844, you will render the operations of the bank uncontrolled, and give back to joint-stock and private banks the power of unlimited issues. There has recently been undue speculation, a great issue of paper, and a discounting and re-discounting of bills, quite novel in the history of commerce. This country and the United States, with a small amount of the precious metals, possess a greater amount of bank notes and promissory notes than any country in the world. This gives great facility to enterprise, but it is accompanied by great corresponding evils. We have of late been carrying on a system of commerce far beyond our capital, and the standard ought not to be endangered for the sake of bolstering it up. In such a case, it is unjust to charge the act of 1844 as having been the cause of the deficiency of money, when men ought to be thankful for its having prevented the aggravation of their distress by checking an unlimited issue of paper.

"The present pressure, in the main caused by undue speculation, has been most seriously aggravated by the expenditure of £33,000,000 in the last year, in the purchase of food, which has caused a great exportation of gold, and by the application of an enormous capital for the construction of railways, which, though not in the end a dead loss, is, for the present, at least, unaccompanied by profit. In these causes an ample explanation of the recent embarrassment is to be found, without imputing it to the act of 1844. I cordially approve of the conduct which government adopted with regard to the bank on occasion of the crisis. The remedy for the existing evils was to be found, and could only be found, in the efforts of individuals, and in the contracting of engagements. If government had relaxed the law earlier, the exertions of individuals would have been stopped, and new engagements would have been entered into. When, however, the general distrust in the commercial world had reached the length of panic, the intervention of government to check it was justifiable and proper. No argument, however, can be drawn from the necessity of issuing the letter of 25th October against the act which it suspended, for panic is one of those cases in which not legislation, but the discretion of government, must be applied."*

Answer of Lord G. BENTINCK and Mr. THOMAS BARING.—On the other hand, it was maintained by Lord GEORGE BENTINCK and Mr. THOMAS BARING, the last of whom had at first been a supporter of the act of 1844: "The strongest condemnation of the act of 1844 is to be found in the facts that it had not prevented the crisis, that it had not checked it after it occurred, and that, in order to stop it, an infringement of the law had become absolutely necessary. So far from having checked undue speculation, and so prevented the crisis, it had done just the reverse.

* *ALISON'S Europe*, vol. viii.; *Parl. Deb.* xcvi. 650, 674; *Ann. Reg.* 1847, 216, 219.

The theory on which the bill was founded was, that the bank would be constrained to lessen its issues of paper as the gold in its coffers was diminished, and that speculation would be checked the moment it became dangerous. Has the result corresponded to this anticipation? So far from it, the gold in the coffers of the bank, on 12th September, 1846, was £16,354,000, and its paper in circulation was then £20,980,000. On 17th April, 1847, the gold was reduced to £9,330,000, and the circulation, so far from being diminished, had *increased* to £21,228,000; that is, by £246,000! So much for the working of the bill, in giving a timely check to undue speculation.*

"The common opinion is, that if there is an over-issue of bank notes, it will drive the gold out of the country. That was the fundamental position of the famous bullion report in 1811, and it has been the basis of all our subsequent legislation on the subject. But in this case the very reverse took place; for when it was known that notes would be freely issued, *hoards* of gold immediately made their appearance, and the stock of bullion in the bank instantly began to increase. The notes came out, and, what was directly contrary to the theory, the gold came back at the same time. The effect of the infraction of the law, according to the chancellor of the exchequer's statement, was altogether magical; the whole panic ceased; the notes came out, the gold came in, all at the same time, and confidence was at once restored, all in consequence of the announced violation of the bank act. Apparently, that is an act honored more in the breach than the observance; but what is to be said in defence of an act which never proves beneficial till it is repealed? What is to be said as to the scourge of 8 per cent. inflicted on the commercial community, a direct tax to that amount, imposed not on income, but on *endangered capital*, which all must admit sweeps away all prospect, while it lasts, of commercial profit, and is confessedly a direct consequence of the act of 1844?

"We are told that it is the famine in Ireland which has caused all the distress, and it is doubtless true that a great deal of gold has gone out of the country in quest of provisions. But the real cause of it all is the combination of free trade with the bank charter act. It is not the high price of grain which has occasioned the difficulty. During the last seven years of the war the average of wheat was 94s. 6d., and yet we were able to raise £70,000,000 yearly in taxes, and borrowed £180,000,000, which was at the rate of £26,000,000 a year."

Immense effects of the Monetary Crisis of 1847.—Such was the terrible monetary crisis of 1847 in Great Britain, the most disastrous and widespread of which there is any record in the annals of mankind. Its effects, not merely in the British empire, but in both hemispheres, have been in the highest degree important, and in no instance has the agency of supreme wisdom in educing lasting good out of transitory evil been more conspicuous. Beyond all question, it was mainly instrumental in bringing to a crisis the general discontent in France, and overturning the corrupt government of LOUIS PHILIPPE; the suspension of credit, want of employment, and stagnation of industry among the workmen of Paris,

* ALISON'S *Europe*, vol. viii.; *Parl. Deb.* xc. 615.

which proved fatal to the Orleans dynasty, had its origin in the bank charter act of London. It perpetuated through a course of years the misery first induced by the famine in Ireland, and gave rise to the prodigious and long-continued exodus of the Irish people, which has ended in transferring two millions of Celts from the shores of the Emerald Isle to the transatlantic wilds. It has given comparative security and unanimity to the British empire, by extracting the thorn which had so long festered in its side, implanted by Irish suffering and envenomed by sacerdotal ambition. It has led to the overthrow of the monarchies of Austria and Prussia, and, by bringing down the reserve of legitimacy in the shape of the Russian battalions to the Hungarian plains, it subverted for a time the balance of power in Europe, impelled NICHOLAS into the career of Oriental ambition, and ultimately arrayed the forces of the West against those of the East on the shores of the Crimea. Finally, it produced in the far west and southeast effects still more lasting and important; for, by the money pressure it produced in America, it forced the United States into foreign aggression as the means of paying their domestic debts, transferred California from the lazy hands of the Spaniards, by whom its treasures had lain undiscovered for three hundred years, into the active grasp of the Anglo-Saxons; revealed to British enterprise, sent into exile by domestic suffering, the hidden treasures of Australia; and gave a permanent and beneficial impulse to the industry of the whole world, by providing a currency adequate to its increasing numbers and transactions in the treasures it brought to light in both hemispheres.

Lesson which it taught the British people.—If the ultimate effects of this great convulsion have been thus widespread and momentous, not less important is the lesson it has taught the British people as to the results of the new system on which they had ventured, and which, in the very outset, had produced such astonishing consequences. The years 1847 and 1848 are peculiarly worthy of attention to the student of British history, for they brought to light the dreadful perils of the *combination of free trade with a fettered currency* in aggravating distress, as the years 1845 and 1846 had demonstrated the dangers of the monetary system *in inflaming speculation*. It is doubtful which is in the end the most perilous, or impels a nation most certainly to the brink of ruin. The mode in which these double consecutive results have taken place is now perfectly apparent, and they both flow from one cause, viz., the establishment of a currency based entirely upon the retention of gold, coupled with a commercial system which rendered that retention impossible. This was the root of the evil; the Irish famine was an accidental circumstance, which brought the danger earlier to light, and in a more fearful form than would otherwise have occurred, but was by no means instrumental in producing it.

The Monetary Crisis was owing to Free Trade and a Fettered Currency.—That a failure to the extent of nearly a half in the staple food of a people numbering eight millions must of itself produce a frightful amount of suffering among the classes affected by it, is sufficiently apparent; and Sir R. PEEL'S monetary system is nowise chargeable with that distress. But it is chargeable, and exclusively so, with the *communication of the distress from the Irish peasantry to the commercial classes of Great*

Britain, and the general collapse of credit which terminated in the suspension of the bank charter act in October, 1847. There is a very obvious connection between the failure of a staple kind of food and the distress, or even famine, of the people who live on it; but there is no natural connection between such failure and a monetary crisis in a neighboring country, accompanied with general ruin to the trading classes, and commercial embarrassment and bankruptcy for a course of years. The agricultural produce destroyed by the potato-rot in Ireland was said to be worth £16,000,000—call it £20,000,000 in the whole empire, which is probably above the mark. That is only a *fifteenth* part of the entire agricultural produce of the empire, estimated at that period at £300,000,000—a much less deficiency, *upon the whole*, than an ordinary bad harvest produces, attended with no extraordinary results. Whatever severity of local distress, therefore, such a deficiency might produce, it cannot be considered as having been, if it had stood alone, the cause of the dreadful *commercial* suffering in Great Britain. On the contrary, by raising the prices of subsistence, and stimulating commerce, it should rather have tended to augment mercantile profits, and enhance mercantile enterprise in the neighboring island. But the moment a monetary system is established, on a basis which renders the currency and advances by bankers exclusively dependent on the gold in the bank's coffers, any adventitious circumstance which occasions an unusual drain upon those coffers, which a great importation of food invariably does, produces a contraction of advances, a rise of interest, a destruction of credit, from which it requires a long course of years for any nation, even the most prosperous, to recover.

Dangers of Free Trade and a Fettered Currency.—But this is not all. The combination of free trade with a gold-dependent currency, not only necessarily renders any adventitious cause which occasions a great export of gold the forerunner of commercial embarrassment and ruin, but it perpetually keeps the nation on the verge of such a catastrophe. It augments fearfully the chance of its occurrence, more especially in an old, opulent and luxurious State. As such a community can bring into the market the fruits of the accumulated industry of several centuries, while the poor States from which it purchases subsistence can only bring the fruits of two or three years, the *means of consumption of the one infinitely exceed those of the other*. Thence the trade between them necessarily runs into a huge excess of imports over exports, the balance of which, of course, must be paid in cash. This, accordingly, has taken place in the most remarkable manner in the trade of Great Britain with all the nations from whence she imports largely rude produce, and which has terminated in a settled balance of imports over exports of from £30,000,000 to £40,000,000 a year.*

* ALISON'S *Europe*, vol. viii.

CHAPTER IV.

THE YEARS 1848, 1849, 1850, 1851.

THE YEAR 1848—RATE OF INTEREST EIGHT PER CENT.—REVOLUTION IN FRANCE—CONSOLS DOWN TO 83—SUSPENSION OF THE BANK OF FRANCE—FAILURES IN FRANCE—CHARTIST MOVEMENT—EXTRAORDINARY DECLINE IN RAILWAY SECURITIES—UNSATISFACTORY RESULTS OF THE YEAR—ATTEMPTS TO AMEND THE BANK CHARTER—SPEECH OF SIR E. PEEL—EXAMINATION OF THE GOVERNOR AND DIRECTORY OF THE BANK—PRICES OF STAPLES—YEAR 1849—ELECTION OF PRESIDENT IN FRANCE—IMPROVED PROSPECTS—YEAR 1850—LOW RATE OF DISCOUNT—NEW LOANS TO RUSSIA AND DENMARK—THE SCOTCH EXCHANGE BANKS—EXTRAORDINARY ADVANCE IN COTTON—CALIFORNIA GOLD ARRIVALS—IMPROVEMENT IN RAILWAY SHARES—YEAR 1851—SHORT HARVEST—FAILURES IN U. S.—NEW LOAN TO SARDINIA—DISCOVERIES OF GOLD IN AUSTRALIA—EXTRAORDINARY COINAGE IN FRANCE AND ENGLAND.

THE YEAR 1848.

THE year 1848 opened under circumstances which, by contrast with those of the preceding year, might be called favorable. The minimum rate of discount at the Bank of England, which had been fixed at eight per cent. per annum by the government letter of the 25th October, 1847, had been successively reduced to seven per cent. on 22d November; to six per cent. on the 2d of December; to five per cent. on the 23d of December, and to four per cent. on the 27th January, 1848. The amount of the banking reserve had risen from a point under three millions in October, 1847, to nearly seven millions in January, 1848, and the market rate of discount had fallen even more rapidly than the bank rate. But the occurrence of the revolution in France, at the close of February, 1848, the utter overthrow of M. GUIZOT, the flight of LOUIS PHILIPPE, and the installation in power of an extreme republican party, were events which had entered into no one's view of the immediate future.*

Consols had ranged, prior to the 24th February, 1848, about 88–90. The effect of the French news will be seen from the following extracts from the city article of the *Economist* of Friday, the 3d March, 1848:

“The fluctuations in the public securities have been more sudden and greater during February than at any time since the termination of the continental war. On Friday, 26th February, consols closed, even with a knowledge of the abdication of LOUIS PHILIPPE, at 88½. On Saturday, however, they opened at 84½ to 85, and suddenly fell to 83, when it was found that a provisional government had been formed instead of a regency.”

* TOOKE'S *History of Prices*, vol. v. pp. 230, 231.

In the course of March occurred the suspension of specie payments by the Bank of France, and at Brussels by the Bank of Belgium and the *Société Générale*; and indications were given of the violent policy espoused by LEDRU ROLLIN and the party of the Red Republic in France.

During March, April and May, the failures of banking and mercantile houses at Paris, Havre, Marseilles, Hamburg, Amsterdam, Antwerp, Berlin, and other large continental cities, were so numerous, that in some places the discredit amounted to a literal suspension of all business, and of the payment of any obligations in specie.

Political apprehension was added to commercial disaster. In this country the Chartist failure of the 10th of April removed all fear of any outbreak, but abroad the flame of revolt rapidly overran all Germany and most of Italy.

As the year advanced, the distress and pressure arising from the rapid decline of railway dividends—the utter depreciation in the market of all railway shares and securities—the constant strain of heavy calls upon shareholders already exhausted, and the universal distrust and despondency regarding the future of railway property, became the prominent topic, and excited real alarm.*

The commercial state of France at this period, and the circumstances which rendered the important change in its monetary system which soon after took place necessary, are thus explained in the official report of the Comte ARGOUR, the bank's chairman, for the year 1848: "When the revolution of February broke out, the treasure in the Bank of France and its branch establishments amounted to 225,000,000 francs. The demand for specie, however, rapidly increased on that event, but the bank made the most courageous efforts to meet the drain. From the 26th February to the 15th March, that is, during fifteen working days, the bank discounted in Paris alone 112,000,000 francs. In the branch banks, during the same period, it discounted 45,000,000 francs. By this means it saved from bankruptcy the banks of Rouen, Orleans, Havre and Lille. But the drain of specie was only thereby rendered more alarming. From the 26th February to the 15th March, the metallic reserve at Paris fell from 131,000,000 to 82,000,000 francs. On the 15th March the payments in coin amounted to 10,000,000 francs, and on the evening of that day there remained only 59,000,000 francs. On the succeeding day (16th) it was known the run would be still more considerable, and in a few days more the bank would be entirely drained of specie."

Suspension of Cash Payments.—In these alarming circumstances, the council-general of the bank met and prepared the draft of a decree, which was immediately submitted to the provisional government, received its unanimous sanction on the night of the 15th March, and appeared in the columns of the *Moniteur* on the following day. By this decree the bank was relieved from the obligation of paying its notes in specie, and its notes were declared a legal tender. The power of emission, however, was limited to 350,000,000 francs as the maximum of the circulation; and it was provided that weekly states of the affairs of the bank should

* TOOKE'S *History of Prices*, vol. v. pp. 231, 232.

be published, as in England. The emission of notes for 100 francs was authorized by the same decree. The issue of notes for 50 francs and 25 francs had been anxiously prayed for by the commercial classes; but the council-general of the bank refused its consent to this demand, as likely to lead to an exportation of specie at a time when it was of such importance to keep it in the country. The circulation of the bank at the date of the decree amounted to 275,000,000; so that, even as it stood, this measure afforded a considerable extension to the available circulation of the country, and what was of still more importance, relieved it entirely of the obligation to pay in specie.*

Great effects of this change, and its wisdom.—Thus did the suspension of cash payments result in France from the revolution of 1848, as the emission of assignats in that country in 1791, and the suspension of cash payments in Great Britain in 1797, had arisen from that of 1789. In all the three cases the change was the result of necessity, and the effect was immense, far exceeding what had been either intended or foreseen by its authors. The forced paper circulation of the first revolution in France, which at length was pushed to £750,000,000 sterling, beyond all question brought that country safe through the terrible assault of the European powers in 1793 and 1794; but it did so only by producing a rise of prices which utterly destroyed the capital of the nation, and inflicted an irreparable wound on its industry. The suspension of cash payments in Great Britain in 1797 alone enabled the nation to make head against the power of revolutionary France, and preserved the liberties of Europe when threatened with destruction by the arms of NAPOLEON; but it did this at the cost of a duplication of prices, doubling the amount of the national debt, and imposing a heavy burden on its industry, which will never now be removed. The opposite system, introduced by Sir ROBERT PEEL in 1819, of rendering the currency entirely dependent on gold, and contracting the paper whenever the gold was withdrawn, has induced three terrible monetary crises, under the effects of the last of which the nation was still laboring. Steering the middle course between these two extremes, the measure of M. GARNIER PAGES, based on the principle of *meeting the drain by an issue of paper, bearing a forced circulation, but limited in amount to what the nation really required*, may be regarded as a model of political wisdom, and perhaps the greatest boon ever bestowed by legislative wisdom on an afflicted nation. For if it had not been passed, and either an unlimited issue of the currency, or an unlimited contraction of it, had been practiced, beyond all doubt all the eloquence and courage of LAMARTINE would have been unable to avert another revolution—a second rule of the Jacobins, a second reign of blood, and a second revolutionary war.†

This decree was, in the first instance, confined to the Bank of France; but by two supplementary decrees, issued on the 27th April and 2d May, the protection was extended to the banks of Bordeaux, Rouen, Nantes, Lyons, Marseilles, Havre, Lille and Orleans, which were amal-

* Decree of March 15, 1848; *Moniteur*, March 16.

† ALISON'S *Europe*, vol. viii. p. 327.

gamated with the Bank of France, and their joint circulation, inconvertible into specie, was extended to 452,000,000 francs, (£18,000,000.) This was fully equal to the necessities of a nation which at that period, strange to say, did not require more than £18,000,000 of discounts, while Great Britain needed £130,000,000! At the same time the greatest efforts were made by the Bank of France, and all its branches, to sustain industry and credit in every possible way. Discount banks (*Comptoirs Nationaux*) and loan offices (*Magasins Généraux*) were established in Paris and all the commercial towns of France, and bills were accepted for discount bearing two signatures only, instead of three, as formerly required. The re-discounting of bills was permitted, contrary to prior usage, and loan offices formed for granting receipts or warrants for goods stored in public warehouses, on which loans of money might be obtained. By these several means, powerfully aided by the limited but inconvertible currency, very great assistance was rendered by the Bank of France, both to individuals and the public treasury, during the remainder of the year—a period which, but for that relief, would unquestionably have been fraught with unparalleled disasters. In the nine months of 1848 after the decree suspending cash payments, the bank at Paris rediscounted bills to the amount of 90,000,000 francs, and in the branches 140,000,000 francs, besides advancing on security of goods in the “Magasins” 62,500,000 more. In addition to these advances to individuals, the bank lent government, on 31st March, 50,000,000 francs; on 31st May, 30,000,000 francs; and on 3d June engaged for a loan of 150,000,000 francs to the treasury, of which 50,000,000 francs was actually paid over. In these immense advances, rendered possible solely by the wise suspension of cash payments, rather than all the eloquence of M. LAMARTINE, the real means are to be found whereby France surmounted the crisis, and averted a second reign of terror. And the fruit of these measures clearly appeared in the rapid diminution of the number weekly admitted into the *Ateliers Nationaux*, which, in the fortnight from 16th to 31st March, was 25,250; and from 1st to 15th April, 36,250; but from 16th to 31st May it had fallen to 3,000; and from 1st to 15th June, to 1,200.

Deplorable State of the Public Finances.—Most fortunate was it for France and the world that the provisional government had either the sense to see, or were forced by the pressure of the working classes to adopt, these the only measures suited to the crisis, or capable of meeting its dangers; for the condition of the public finances, in consequence of the revolution, had become all but desperate. Such was the effect of the universal alarm, that the consumption of every individual in the country, from the highest to the lowest, was at once reduced to the smallest possible amount. The *octroi*, of the capital, which, in 1847, had produced from 75,000 to 80,000 francs a day, immediately fell to 40,000 or 50,000 francs. All other taxes on consumption at once fell off in the same proportion. The imports of France in 1848 were little more than half of what they had been in 1847; and as the revolution only took place in the end February, this implied a falling off to a still greater amount in the ten months subsequent to that convulsion. The exports, it is true, did not exhibit a decline by any means in the same proportion; but that arose from a peculiar and very distressing cause, which, so far from bespeaking a re-

vival of industry, indicated just the reverse. It arose from the universal desire to turn movable property into cash, and the impossibility of finding a market for it in France itself. This led to a general sending of it abroad; and to such a length did this go, that the foreign trade of France, in 1848, presented the enormous balance of £11,000,000 in favor of that country, which, of course, was paid in specie. This is a most curious and instructive circumstance, indicating at once how fallacious a test of the prosperity of a nation the amount of treasure in its banking establishments is; how erroneous an opinion it is, which is often entertained, that the amount of exports is to be taken as the measure of its manufacturing prosperity; and how great a mistake it is to suppose that the issue of inconvertible paper in moderate quantities will drive specie out of the country. For in this year of unexampled alarm and suffering, when the diminished consumption of all classes brought the imports down a half, and the national industry was sustained only by the issue of inconvertible notes to the extent of £18,000,000 sterling, the balance of trade was £11,000,000 in favor of France. Her exports had undergone very little diminution; the notes in circulation had risen from £11,000,000 to £15,000,000, the bullion in the bank from £3,000,000 to £10,000,000, while the discounts had sunk from £11,000,000 to £6,000,000.*

Two hundred millions sterling had been actually called up on railway shares in the United Kingdom, and expended; that the holders of this two hundred millions had given for the property at least two hundred and fifty millions; that in October, 1848, the market value of the two hundred and fifty millions was certainly not more than one hundred and fifty millions sterling; and hence, that a loss of at least one hundred millions had been thus sustained, with the certain prospect of further expenditure, and, therefore, of further sacrifice still unprovided for. The following extract is from an elaborate paper in the *Economist* of 21st October, 1848.†

“The chief primary cause which has been in operation during the last twelve months (say since October, 1847) in reducing prices of railway shares, arose from the simple fact that the public had undertaken to make railways far beyond their means to accomplish. Every fresh call that has been made upon exhausted shareholders was attended by one of two effects—either the shares themselves, upon which the call was made, were sold, in order to avoid payment, or some other shares were sold in order to raise money for the purpose. But, whichever plan was adopted, there was a constantly increasing number of sellers, and a constantly diminishing number of buyers.”

Magnitude and Perfection of the Railway System in Britain.—The railway system, which, during these calamitous years, and under all the difficulties arising from a restricted currency and monetary crisis, was carried on and completed in Great Britain, was of the most perfect and magnificent description, and deservedly places this country at the head or all similar undertakings in any part of the world. A comparison of the railways in Great Britain with those in France, Germany, Belgium or America, in the end of 1854, proves that, in proportion to the area of the

* ALISON'S *Europe*, vol. viii. p. 328; NEWMRASH, vi. 58, 59.

† TOOKE'S *History of Prices*, vol. v. p. 234.

country, the system is more complete than in any other, taken as a whole, and exceeded only by those of Massachusetts, in America, in a part of a country. Even in Scotland the progress of these undertakings has been nearly twice as rapid as in Germany; and if allowance is made for the extent of mountain surface, where they are impossible, it enjoys a more complete system than either Belgium, the garden of continental Europe, or the western States of America, where they are constructed at the least expense, and with the greatest facility.*

The Bank of England had reduced the minimum rate of discount from four per cent. to three and a half per cent. on the 15th June, 1848; and to three per cent. on the 2d November. At the latter date, the total bullion stood at fourteen millions, and the private securities at ten and a half millions. The market rate of discount was two and a half to three per cent.†

Comparing the two months—October and December, 1848—described in the extract just given, as the periods between which prices had risen ten per cent., we find as follows :

<i>Circulation of</i>	<i>Oct., 1848.</i>		<i>Dec., 1848.</i>
Bank of England,	£ 19,600,000	....	£ 17,900,000
Country banks, (Great Britain,) . .	10,000,000	....	9,400,000
	£ 29,600,000	....	£ 27,300,000

That is to say, the outstanding circulation has fallen two and one-third millions, concurrently, with a considerable rise of prices; and also concurrently, with a stationary amount of private securities and total bullion at the Bank of England.

This partial recovery at the end of the year somewhat relieved the gloom of the period; but the annual trade circulars, issued at the close of 1848, described the results of the twelvemonth as exceedingly unsatisfactory. There had been a general decline of prices, arising from limitations of consumption.

But Sir ROBERT PEEL, in the debate alluded to, 1848, expressed himself with great vehemence against the idea of any relaxation at all. "The suggestion," he said, "of giving a discretionary power to the bank to relax the restrictions which are imposed upon the bank, *I consider most objectionable*. I consider it to be at variance with experience and with reason; with the evidence of the witnesses most competent to give an opinion upon the question at issue. Why, in 1844, did you impose restrictions on the bank? Because the experience of preceding years; full knowledge of the course pursued by the bank when the bank had unlimited authority; a deep sense of the evils which had arisen from the uncontrolled power of the bank in 1825, 1837 and 1839; convinced Parliament of the necessity of subjecting the bank to peremptory restrictions. There was, in 1844, an almost unanimous impression, without which the act of that year could not have been passed, that the discretionary power of the bank had been improvidently exercised, and ought to be controlled by law."

* ALISON'S *Europe*, vol. viii.

† TOOKE'S *History of Prices*, vol. v. p. 234.

The governors and directors of the bank, who were examined by the committee on this point, gave opinions equally decided against any relaxing clause. This, however, was a matter of course, seeing that they were uncompromising defenders of the act of 1844. Their views were, consequently, identical with those of Sir ROBERT PEEL, who quoted them as witnesses in favor of the measure.

YEAR 1849.

The year 1849 opened under somewhat hopeful circumstances.

A belief was entertained that by the election of LOUIS NAPOLEON to the French presidency, (20th December, 1848,) the condition of France would become speedily settled, and it was not apprehended that any great peril was connected with the internal disputes of other States of the continent. At home, the prices of food and raw material were low; stocks of goods had been greatly reduced by limitations of production; and it was unquestionable that the interruption of industry on the continent had diverted capital and employment to this country.

The minimum rate of discount at the Bank of England remained at 3 per cent. per annum, as fixed on 2d November, 1848, and the market rate was $2\frac{1}{4}$ to 3 per cent. The total stock of bullion was about fifteen millions, with a tendency to increase. Authentic news had arrived of the discovery of gold in California, and the discussion of the probable effects to flow from the discovery became a prominent and constant topic, the tendency being, on the whole, to expect that the new supplies of gold would produce speedy and marked effects on the price of commodities and securities.*

The Bank of England reduced the minimum rate to $2\frac{1}{2}$ per cent. on the 22d November, 1849, the former alteration having been to three per cent. on the 2d November, 1848; the rate, therefore, had remained at three per cent. for more than a year. In November, 1849, the private securities were low, say nine and a quarter millions, and the total bullion was sixteen millions.

The state of the outstanding circulation in October, 1849; the commencement of the speculative rise of prices just referred to; and in December, 1849, the month during which the rise attained its highest point and greatest extent, was as follows:

<i>Circulation of</i>	<i>Oct., 1849.</i> <i>Millions.</i>	<i>Nov., 1849.</i> <i>Millions.</i>	<i>Dec., 1849.</i> <i>Millions.</i>
Bank of England,	£ 19,700,000	.. £ 19,500,000	.. £ 19,000,000
Country banks, (Great Britain,)	10,000,000	.. 9,900,000	.. 9,400,000
	£ 29,700,000	.. £ 29,400,000	.. £ 28,400,000

The year 1849 was begun by most commercial men with the confident expectation that it would prove the commencement of better times. It was hoped that the cycle of three years among the most eventful, if not the most disastrous on record, had finished its course. But this hope was not fulfilled. Hostilities were renewed on the continent, and the Punjab war raged in India. The continental disturbances acted most detri-

* TOOKE'S *History of Prices*, vol. v. p. 241.

mentally on commerce; and it was striking to notice how our markets rose and fell as the political barometer pointed either to a fair or troubled state of affairs abroad.*

COMPARATIVE PRICES, JANUARY, 1848, AND APRIL, 1849.

	Jan. 1848.		April, 1849.	
Coffee, Brit. Plant, cwt.	25s.	@ 128s.	20s.	@ 100s.
Spirits, Rum, Jamaica, gall.	38d.	@ 44d.	30d.	@ 34d.
Sugar, Br. West Indies, cwt.	21s.	@ 29s.	23s.	@ 27s.
Tea, Congou, lb.	8d.	@ 18d.	8d.	@ 21d.
Tobacco, Virginia, lb.	2½d.	@ 5½d.	3½d.	@ 6d.
Cochineal, lb.	52d.	@ 81d.	44d.	@ 64d.
Cotton Wool, Bowed Georgia, lb.	4½d.	@ 6d.	4½d.	@ 5d.
Flax, Riga, ton	£ 44	@ £ 52	£ 34	@ £ 40
Hemp, St. Petersburg, ton	£ 36	@ £ 37	£ 30	@ £ 31
Indigo, Bengal, lb.	12d.	@ 66d.	15d.	@ 66d.
Logwood, Jamaica, ton	80s.	@ 85s.	95s.	@ 100s.
Oil, Gallipolis, tun	£ 44	@ £ 45	£ 42	@ £ 43
Saltpetre, Rough, cwt.	30s.	@ 32s.	28s.	@ 30s.
Silk, raw, China, lb.	10s.	@ 16s.	12s.	@ 17s.
Tallow, St. Petersburg, cwt.	44s.	@ 45s.	38s.	@ 39s.
Timber, Dant, load	80s.	@ 90s.	60s.	@ 75s.
Wool, Sheeps, Germ. secunda, lb.	22d.	@ 25d.	21d.	@ 23d.
Copper, Tough Eng. Cake, ton	£ 98	@	£ 88	@
Iron, Best bars, ton	£ 8	@ £ 8½	£ 6	@ £ 7
Tin, Eng. bars, cwt.	83s.	@	90s.	@

THE YEAR 1850.

At the opening of the year 1850 the minimum rate of discount at the Bank of England remained at 2½ per cent., as reduced to that rate on the 22d November, 1849; the bullion was gradually increasing; the private securities were low, and in Lombard-street good bills were readily discounted at 2 and 2½ per cent.

There was an absence of exciting topics, the trade of the country was moderately active, and the general impression pointed to the probability of a considerable recovery from the adverse influences of the two preceding years.

One of the earliest events of the year was the negotiation, through Messrs. BARING, in January, of a loan for Russia of £5,500,000, required, it was stated, for the completion of the Petersburg and Moscow Railway. The terms offered were a 4½ stock at the price of 93, interest to commence from 1st January, 1850, with provision for the reimbursement at par, at the end of each year for fifty years, of two per cent. of the principal. The rate really offered was about £ 4 16s. 10d. † and the whole of the subscription was filled up in a few days, the scrip coming out at a premium.

In March, a loan of £800,000 for Denmark was readily raised by Messrs. HAMBRO & SON in a five per cent. stock, at the price of 90. The scrip sold for two to three premium.

The prices of cotton in Liverpool in the middle of May, 1848–1850, were as follows, taken from the circular of an eminent broker :

* TOOKE'S *History of Prices*, vol. v. pp. 246, 246. † 4.84 per cent. interest.

RAW COTTON.

<i>Description of Cotton.</i>	<i>Quality.</i>	<i>Years.</i>	<i>Price per lb.</i>	<i>Being an Advance of</i>
Bowed and Mobile,...	Ordinary,	.. 1848	.. 3½ to 3¾ ..	} Nearly 84 p. ct.
“ “ ...	“	.. 1850	.. 6½ to 6⅝ ..	
“ “ ...	Good,	.. 1848	.. 4⅝ to 5 ..	
“ “ ...	“	.. 1850	.. 7½ to 7⅞ ..	} Nearly 56 “
New-Orleans,.....	Ordinary,	.. 1848	.. 3½ to 3¾ ..	
“	“	.. 1850	.. 6 to 6¼ ..	} About 82 “
“	Good,	.. 1848	.. 5½ to 5¾ ..	
“	“	.. 1850	.. 7½ to 7¾ ..	} About 38 “

The influx of gold from California greatly occupied the public mind, and the interest in the question was much increased by the decree of the Dutch government demonetising gold.

The rate of discount remained very steady till quite the end of the year, when the Bank of England raised their minimum rate somewhat unexpectedly from 2½ to 3 per cent. on the 26th December. This step was perfectly justified by the facts of the case, for there was a considerable increase in the private securities, and a drain of bullion to the continent.

The drain was traced to a temporary disturbance of the previous relative values of gold and silver, arising out of the effects produced by the demonetisation of gold in Holland in July, 1850.

The rejection of gold from the Dutch circulation, and the existence of a double standard in France and other continental states, led to somewhat novel combinations of leading elements in the calculation of the foreign exchanges.*

In the early part of 1851, the drain of gold had ceased. The following extract from the circular of 31st December, 1850, of Messrs. STREAD BROTHERS, of Liverpool, will show the highly disturbed state of the cotton market at Liverpool during 1850: “In reviewing the cotton market during the year 1850, we shall assume middling Orleans as a standard of prices. On the 1st January, 1850, this quality was worth 6¼d. per pound, being 50 per cent. higher than at the commencement of 1849.”

The price of cotton in September, 1850, was very nearly 30 per cent. higher than it had been in January, 1850, namely, 8d. per pound, against 6¼d. And as there is no circulation of country notes at Liverpool and Manchester, it is curious to find that the totals of the outstanding notes of the Bank of England were very nearly the same at the two periods, and that, in point of fact, the note circulation of 1850 was singularly uniform in amount, notwithstanding the occurrence of those violent fluctuations in the price of the greatest raw staple of the import trade.

Among the most satisfactory circumstances of the commercial history of 1850, was a decided improvement in the prices of railway shares, and diminution, to a great extent, of the more pressing difficulties of rail-road shareholders.

It may also be considered that, as a general rule, there was a disposition, in the latter half of 1850, in all the great markets for produce, to

* TOOKE'S *History of Prices*, vol. v. p. 253.

look forward to considerably higher prices, on the twofold ground of increasing consumption and of probable failures of the usual supplies.*

Scotch Exchange Banks, 1845-1850.—The universality of the speculation in railway shares in 1845 created, as a matter of course, a large class of borrowers, who offered as security the shares and scrip of railway companies in which they were interested. These loans were generally required for periods somewhat indefinite; and, in most cases, the proceeds of the loan were intended to facilitate further railway speculations. The ordinary banks had not the means, and, greatly to their credit, not the inclination, to encourage advances of this nature. It might be true that, at the time when the advance was made, the margin reserved on the shares taken in pledge might be considerable, but that margin could not be regarded as solid, nor could the punctual repayment of the advance be reckoned on with certainty. Hence arose the anomaly of a great pressure of borrowers offering high rates of interest for nominally short periods, and on highly marketable securities, and no class of lenders with adequate inclination and means to meet the demand for accommodation.*

Early in 1845, it occurred to Mr. GEORGE KINNEAR, a gentleman of reputation and character as a practical banker, that lending money on railway shares might become the special business of a special class of banks, to be set up for the purpose; that these banks might obtain the necessary amount of funds, to a small extent, by means of their own paid up capital, but, to a large extent, by means of deposits attracted to them by the offer of a high rate of interest; and that the funds so acquired might be exclusively employed in loans on railway shares.*

In May, 1845, Mr. KINNEAR reduced his scheme to practice by founding, in Glasgow, the "Glasgow Commercial Exchange Company." This company became at once eminently successful, and was praised on all hands as a great discovery. The public placed deposits in the Exchange Bank for six months certain, with three months' notice of withdrawal, in consideration of $5\frac{1}{2}$ per cent. per annum; that is, of a rate twice as high as the deposit rates allowed by the ordinary banks. These deposits were, according to the theory of the institution, to be employed in lending money on shares yielding an ample margin for depreciation.

But a single exchange bank was quite insufficient for Glasgow in 1845, and, in a short time, eight of these undertakings were set on foot, and were full of business. Similar banks rose at Edinburgh, Aberdeen and Dundee. Unexceptionable names appeared on the directorates, good dividends were paid, the shares bore a high premium, and, for a period, exchange banks seemed to stand above the reach of danger.*

But after 1845 and 1846 came the disasters of 1847. The choicest railway securities fell 70 or 80 per cent. The pressure of calls produced a pressure of sellers, and margins of 20 and 30 per cent. disappeared in a single turn of the market. In addition to all this, the exchange banks discovered, to their cost, that the very precaution upon which they had prided themselves as completing the fullness of their command over the

* *TOOKER'S History of Prices*, vol. v. p. 258.

security pledged, namely, transferring the shares from the name of the borrower into their own, was a source of absolute ruin. For as legal owners of shares subject to calls, the exchange banks found themselves stripped not merely of their securities, but they also found themselves compelled to pay, as calls, sums frequently exceeding the original advance. As for the personal security of the debtor, it was generally accounted for in the insolvent court.*

In the early part of 1849, nearly all the exchange banks were in serious difficulties. Before the end of 1850, they had all been swept away.

It then appeared that, not content with lending on railway shares, most of the banks had been dealers and jobbers. That in several cases directors and other leading persons in the management had received undue facilities for speculation, and that, generally, failure had arisen from rash management, as well as from external difficulties. The original bank, the Glasgow Commercial Exchange Company, were understood to have lost £650,000, or nearly double the amount of their capital. The deficiency, of course, had to be provided by the shareholders, and, fortunately for the depositors, the shareholders were, in most of the cases, found to be in a condition to pay the deposits in full.*

THE YEAR 1851.

The year 1851 opened with fair prospects. Great expectations were prevalent of the beneficial impetus to be imparted by the Hyde Park exhibition to most descriptions of trade.

Prices of colonial produce were firm, and rising; and already the export trade to the United States began to exhibit the influences of the large consumption in California. The unfavorable feature of the picture was the straitened means of the farmers, arising out of the shortness of the harvest of 1850, and also, in some degree, from the transition from the old habits and arrangements of protection.

The bank minimum rate of discount was 3 per cent., as fixed on the 26th December, 1850, and remained at that rate during the whole of 1851. In the money market, capital was readily procurable at $2\frac{1}{2}$ or 3 per cent. on first class bills.

In June and July, the accounts received from New-York of discredit and failures in that and other leading American cities, rose to a pitch which excited no small alarm. It appeared that speculative investments in cargoes and goods to San Francisco were one principal cause of the pressure at New-York. The Californian markets had become completely glutted, and for some time all new supplies of goods were wholly unsalable.

In July, 1851, a loan of £3,500,000 was raised by MESSRS. HAMBRO, for the Sardinian government. The rate was 85, in a five per cent. stock. The subscription was filled up, but the scrip came out at a discount.

Early in September, an attempt was made to obtain, in London, subscriptions to a loan of £7,000,000, for Austria, the rate of interest to be

* *TOOKE'S History of Prices*, vol. v. pp. 365-367.

5 per cent. ; but the effort met with no success. Lists were opened at the leading continental cities, and at Vienna very violent measures were employed by the government to force the scrip to a premium. These and other evidences of the financial exhaustion of some of the leading States, combined with the confident reports of an approaching *coup d'état* in France, exercised considerable influence, during the autumn of 1851, in restraining operations.

Attention continued to be directed, during the spring and summer of 1851, to the influx of gold into France, and the substitution, in that country, of a gold for a silver coinage.

The French mint was taxed to the utmost to convert into coin the quantities of gold bullion deposited with it, and had on hand, almost constantly, as much bullion as would require five or six weeks uninterrupted labor of the whole establishment to render it into the form of twenty-franc pieces. About October, however, this pressure was abated. The relative value of gold and silver, in France, was approximated so closely that there was no longer sufficient inducement to force gold through the mint, even at the expense of considerable delay.*

The news of the discovery of gold at Bathurst, in New South Wales, in May, 1851, was published in London on 3d September.

Towards the end of the year, several gold mining companies were started on the stock exchange, for explorations in California ; but they met with very small favor from the public, and, with the exception of two or three, they had but a short career.

Advance in Wages.—In Great Britain, during the six years, 1851-'56, there has been established a rise of wages for all kinds of handicraft and factory labor of between 15 and 20 per cent. on the rate current for some time prior to 1851 ; that the largest per centage of increase has occurred in the wages of unskilled labor ; and that, to some considerable extent, more especially in the better cultivated districts, there has been during the same six years a decided tendency to a rise in the wages of agricultural labor ; and further, that in Ireland the improvement in wages among mechanics has been nearly as great as in Great Britain, while the rise in the wages of rural laborers has been decidedly greater than among the rural laborers on this side of St. George's Channel.

The seven topics of inquiry which met us at the threshold of this investigation have now been exhausted, so far as our present extent of evidence enables us to deal with questions so large and difficult.

We have found, in a few words, that in 1856, and for four years preceding 1856, the annual supplies of gold have been fourfold the amount of the annual supply in 1848 ; that in the eight years, 1849-'56, the addition made to the total stock of gold existing in 1848 in various forms, in Europe and America, has been equal to more than one-fourth ; that the addition made by new gold coinage to the quantity of metallic circulation in the leading commercial countries has been more than one third ; that, according to the best conclusions which can be drawn from the experience of this country, the range of general prices has not been materially

* TOOKE'S *History of Prices*, vol. v. p. 261.

influenced so far by these large additions to the metallic money; that the wages of labor, particularly of unskilled labor, have risen in the proportion of 15 to 20 per cent.; and that since 1850, the social and commercial phenomena which have been most conspicuous in this country have been the effects produced by the gold discoveries in doubling the export trade; in directing to useful purposes pauper and surplus labor; and, as we have seen in former portions of these volumes, in averting on several occasions the financial perils which, under other circumstances, would have aggravated the pressure of the war, the failures of the seasons, and the reverses of trade.*

The leading events of a commercial and financial character, during the years 1846-1850, were the following: 1846.—Oregon treaty between England and the United States, signed in London, 17th July. Second failure of the potato crop in Ireland. National testimonial to ROWLAND HILL. Bankruptcy spreading widely in Ireland. Steamship GREAT BRITAIN stranded in Dundrum Bay, 22d October. Declaration of war with Mexico by the United States, 12th May. New tariff bill passed by Congress, 28th July. Veto of French spoliation bill by President POLK, 8th August. California taken by United States troops. 1847.—United States ship JAMESTOWN left Boston, 28th March, and frigate MACEDONIAN, 18th July, with provisions for the relief of the Irish. Great commercial distress throughout Great Britain, and destitution in Ireland, September to November. Baron ROTHSCHILD elected member of Parliament. Oregon treaty with England ratified by United States. 1848.—The State of Maryland resumed payment of interest, 1st January. Treaty of peace between Mexico and United States, signed 30th May. Suspension bridge at Niagara Falls completed, 29th July. French revolution, February 22-26. Abolition of slavery in French West India Islands. Edict to incorporate Bank of France with nine branches, 27th April. India-rubber life-preservers invented. Great chartist meeting on Kensington Common, April 10. JOHN MITCHELL arrested, May. Sir RODERICK MURCHISON suggests the existence of gold in Australia. Gold discovered in California. Deposits in United States mint, December. 1849.—Penny postage adopted in Prussia. First experiment of a submarine telegraph at Folkestone. HUDSON Railway frauds in England. Opening of the London Coal Exchange, October 30. Fraud on the Rochdale Savings Bank, £50,000. 1850.—Invasion of Cuba by LOPEZ. £20,000 reward offered by Parliament for discovery of Sir JOHN FRANKLIN, 8th March. COLLINS' line of steamers to Liverpool commenced operations. Steamer ATLANTIC left New-York, 27th April. The celebrated Koh-i-noor diamond, valued at \$2,000,000, brought to England, July. Tubular bridge over the Menai finished. Death of Sir ROBERT PEEL, July 2, aged 62.

* TOOKE'S *History of Prices*, vol. vi. pp. 176-178.

CHAPTER V.

THE YEARS 1852, 1853, 1854.

THE YEAR 1852—REDUCED VALUES OF FOREIGN STAPLES—FLUCTUATIONS IN PRICES—SPECULATION IN AUSTRALIAN GOLD MINING SHARES—INCREASED CONSUMPTION OF COTTON—IMPORTS AND EXPORTS OF THE PRECIOUS METALS—THE YEAR 1853—EXTRAORDINARY LOW RATE OF INTEREST—OVER-TRADING IN CONSEQUENCE—STRIKES FOR WAGES IN LONDON AND IN THE COTTON DISTRICTS—WAR BETWEEN RUSSIA AND TURKEY—EXTRAORDINARY PROSPERITY OF THE SHIPPING INTEREST—HEAVY IMPORTS OF TIMBER FROM AMERICA—THE YEAR 1854—WAR WITH RUSSIA—CALIFORNIA TRADE IN EXCESS—FORTUNATE RECEIPTS OF GOLD FROM AUSTRALIA—RATE OF INTEREST ON THE CONTINENT—FLUCTUATIONS IN FREIGHTS—SUMMARY OF EVENTS FOR FOUR YEARS PAST.

THE YEAR 1852.

THE discredit in the produce market, which had been so severely felt in 1851, reappeared in some degree during the first two months of 1852. But in almost all other respects, the year opened favorably. Some distrust was occasioned by the then recent *coup d'état* in France, and by perplexities in other parts of Europe.

The bank reduced its minimum rate from 3 to $2\frac{1}{2}$ per cent. on 2d January, and further reduced the rate to two per cent. on the 22d April. About the latter date the total bullion exceeded twenty millions, and consols were at par.

About May, there set in an enormous and increasing tide of emigration to Australia from England and Ireland. Deputations had arrived from Sydney and Melbourne, urging the necessity of large supplies of laborers; and the persons engaged in the woollen manufacture aided the cry, under the apprehension that the wool clip in Australia would be seriously jeopardized by the desertion of shepherds for the diggings. For a considerable period, emigrant vessels could not be dispatched from this country with a rapidity at all proportioned to the demand.

One of the most remarkable circumstances connected with the Australian discoveries, was the extraordinary rise in the value of the shares of the Australian Agricultural Company—a company of great respectability, which had been established in London, since 1825, for the purpose of developing a large tract of land near Sydney, in New-South Wales. Towards the close of 1852, news arrived that gold had been discovered on the estate of the company. The shares were £35 paid, and had been quoted for some time at £15 each. They rose rapidly to £90, then to £150, and then to £300, and remained at the last named price for a few weeks. Ultimately, however, it appeared that the estate did not contain any large quantity of gold, and the shares gradually declined in price.

From July to November, 1852, there was considerable activity in the formation of new joint stock companies, and railway, mining, emigration

and other companies were plentifully announced. This circumstance in the history of 1852, will be found to be alluded to more at length in the fifth part of these volumes, relating to banking.*

Coffee, sugar, tea and tobacco were 25 per cent. cheaper in November, 1851, than in January, 1850; so were cotton, logwood, oil, saltpetre, timber and iron; and yet we find, that at the period when prices were thus reduced, the circulation was more than a million higher than when prices were at their maximum.

We had learned from the various circulars, that 1851 was a year of extensive and ruinous fluctuations in prices, and of fluctuations upon the largest scale, and yet it was a year of remarkable steadiness in the amount of circulation in the rate of discount, and in the price of the public securities.

The highest monthly average of the Bank of England circulation was in July, when the amount was £21,400,000, and July was among the gloomiest months of the whole twelve.

The lowest monthly average was in December, when the figures were £19,900,000, so that there was a difference of only one and a half millions between the extreme points of the scale.

The bank minimum rate remained at three per cent. (as fixed 20th December, 1850.) during the whole of 1851; and the market rate was about two and a half to three per cent. with a decided tendency to decline. The price of consols varied between 96 and 98.*

To what then are we to trace the violent fluctuations of prices in 1851? One of the circulars just quoted gives the answer very plainly, namely:

“In 1850, prices had in most cases risen considerably above the ordinary level, from the expectation that the supplies of 1851 would be inadequate to the demand. The reports from the producing countries, in reference particularly to cotton, coffee, indigo, &c., were very unfavorable. As the year 1851 drew on, these anticipations were all found to be more or less illusory, and prices fell.”

“We have never known, in our long experience, a year of greater activity in the cotton manufacturing districts† of England, than 1852. The consumption of the raw material is without precedent, being 37,000 bales weekly, against 32,000 bales in 1851, and 29,000 in 1850. Still we have not had overstocked markets, either at home or abroad, and at the present time, the stocks both of yarn and goods are small, and there are in hand very extensive contracts. Our spinners and manufacturers have had a prosperous year, and our operatives have exhibited a contentedness and cheerfulness beyond what we have ever before witnessed.”

The imports and exports of the precious metals into and from England in 1852 attained a magnitude far greater than that of any former year.

At the close of the year, the *Morning Chronicle* stated that, according

* *TOOKER'S History of Prices*, vol. v. p. 267.

† It will be borne in mind that England was exporting more largely to the United States in her cotton goods, leading in part to the financial revulsion of the year 1857.—*Am. Ed.*

to inquiries carefully instituted by it, the following figures might be taken to represent, with approximate accuracy, the magnitude of the imports and exports of the precious metals and of specie, viz. :

1852. Three Months.	GOLD AND SILVER BULLION IMPORTED INTO UNITED KINGDOM.			GOLD AND SILVER COIN EXPORTED FROM UNITED KINGDOM.		
	From Australia.	From Other Places.	Total.	To Australia.	To Other Places.	Total.
	Millions. £	Millions. £	Millions. £	Millions. £	Millions. £	Millions. £
Jan.—March, ..	.14	3.64	3.78	.10	1.88	1.98
April—June, ..	2.67	2.73	5.40	.42	1.66	2.08
July—Sept., ...	1.19	3.98	5.17	1.21	2.07	3.28
Oct.—Dec.,	3.28	2.70	5.97	1.21	3.94	5.15
Millions,	7.28	13.04	20.32	2.93	9.56	12.50

This table does not distinguish gold from silver; but the imports from Australia were wholly gold, and so were the exports to Australia. The imports from other places were partly silver, and of the exports to other places—India, for example—the exports were principally silver. The annual circulars at the end of 1852 were exceedingly favorable.*

The Supply of Gold postpones, but does not avert, danger.—A great increase in the supply of the precious metals for the use of the globe, such as has occurred since 1852, from the discovery of the rich gold-fields of California and Australia, which raised the annual produce of the mines from eight or ten to thirty-six millions a year, may for a time avert, but it cannot permanently remove, this danger. When gold is every week pouring in immense quantities into the vaults of the Bank of England, and the drain arising from the balance of trade is met by a never-ceasing influx from the gold regions, credit may, for a considerable period, be maintained, and commerce be prosperous, because a sufficient stock of gold may be retained notwithstanding that drain. But it is obvious that this auspicious state of things cannot be of long endurance, and that, ere long, the old risk must reappear, possibly under still more threatening circumstances. The reason is obvious. The rise of prices consequent on such an increased influx of the precious metals is, or must soon become, *universal over the world*; consequently, the issue of the precious metals to pay the balance of trade must be augmented *in as great a proportion as the influx is increased*. What will it avail the nation that the supply of gold and silver to the Bank of England is increased in a year from ten to thirty millions, if, as fast as it flows in, it is drawn out to meet the increased balance of trade arising from the enhanced price of every species of imported commodity? Accordingly, at the moment when these lines are written, (Nov. 17, 1856,) the stock of gold in both departments of the Bank of England is reduced to £9,540,000, interest is 7 per cent., credit is almost suspended, and two more adverse weeks, such as the two last, would render a suspension of the bank charter act indispensable.† And all that in the face of an annual influx of the precious metals to the

* TOOKE'S *History of Prices*, vol. v. p. 269.

† ALISON'S *Europe*, vol. viii.

extent of between thirty to forty millions a year; and an affluence of capital in the British Islands unequaled in the history of the world.*

Argument on the other side as to the Export of Gold.—It is often said that this great export of the precious metals, which is the invariable result of free trade, is of no consequence, because the gold or silver, being valuable commodities, could not have come to this country but in exchange for something of equal value; and therefore a great import of gold implies a proportionally great export of manufactures to purchase it. But the answer to this is three-fold and decisive. First, it is by its derangement of a currency resting on the retention of the precious metals that this exportation to any great extent becomes so serious a matter. If the nation possessed a currency adequate to its necessities, and yet duly limited, *independent of gold*, that metal might all go away without inducing a greater evil than the efflux of lead or iron. The peril of a great export of gold to pay an adverse balance of trade, therefore, is no-wise lessened, even though the whole of it had come in to pay the price of manufactures exported. In the next place, great part of the gold which finds its way to the Bank of England is not brought to the British shores in payment of any manufactures or British produce whatever, but is simply a remittance of wealth made in the gold regions, or of commercial fortunes realized there, from the impulse given to every species of industry by the gold discoveries. These are remitted home, or brought by the fortunate holders without any corresponding export of British manufactures paid, as money forming part of rents or surplus wealth is remitted from Scotland or Ireland to London to be spent. In the third place, what is most material of all, the import and export of gold, or any other article of import, differs in this vital respect from the export of native produce or manufactures, that a *double* import takes place, but only a *single* export of the produce of *British industry*. If £5,000,000 worth of English manufactures are sent to America or Australia to buy an equal amount of gold, there is an equal balance of imports and exports. But if the £5,000,000 worth of gold is immediately exported to buy foreign grain, the imports are £10,000,000, while the exports of *British produce* are only £5,000,000. This would be immaterial if the gold was a mere article of commerce, like sugar or molasses; but it becomes very different when, in addition to that, it is the sole foundation of currency and credit, on the abstraction of which both fall to the ground.

Danger of Gold passing merely through the richer States.—There is another consideration of the very highest importance connected with this matter of a great influx of gold from the gold regions into the British Islands, especially when a great import of foreign goods is at the same

* This state of things has extorted the following just observations from the ablest organ of the united bullion and free trade systems: "A uniform price of 7 per cent. for the use of money is a state of things which, though happily unintelligible to many of our readers, is equivalent in its effects to a great national disaster. Famine, pest, earthquake, floods, conflagrations and shipwreck, inflict local or personal injury. A very high rate of interest in a country where it is unusual, will produce a *greater amount of inconvenience than any one of them*. It affects the whole atmosphere of trade, and particularly of that which is not strictly trade, but of a more speculative character, such as transactions in funds and shares.—*Times*, Nov. 15, 1856.

time going on. It is this: when gold in great quantities flows into the rich State, either from its own colonies or foreign countries, it necessarily becomes *cheap, because it is plentiful*, and, of course, all other commodities become comparatively dear. But this state of things cannot long continue; it is speedily corrected by the efflux of gold to, and imports of commodities from, poorer States, in which the former is more valuable, because it is more scarce—the latter cheaper, because labor is less highly paid. Thus, the constant tendency of commerce, in such an old and commercial State, is to run into an *efflux of gold, and influx of commodities*. The country which the gold first reaches becomes a mere siphon, by which it is conducted to foreign States. No state of traffic can be conceived more perilous, especially when currency and credit are rendered dependent on the retention of the precious metals; for the first keeps credit constantly on the verge of paralysis, the last industry, under the weight of irresistible foreign competition. ADAM SMITH long ago stated this low price of gold in Spain, and its constant tendency to leave the country in consequence, arising from the possession of the gold regions, which all the severity of the laws could not prevent, as the main cause of the decline of old Spain; and whoever studies with attention the history of this country, since the gold discoveries came into operation, in 1852, will have too much reason to fear that the same lasting and insurmountable difficulty, as long as the currency is based on gold, is beginning to affect its fortunes.*

THE YEAR 1853.

The year 1853 witnessed the climax of the first series of effects arising from the discoveries in California and Australia. For the rising prices—the expanding consumption—the growth month by month of the export trade—the demand for more ships—the requirements for more labor of every kind, which had marked the latter half of 1852, attained for a time their highest pitch in the first nine months of 1853.

It was also during those nine months that measures were propounded to Parliament, and adopted by it, for enabling the public to convert three per cent. consols into a new stock bearing only two and a half per cent. Within the same period, also, the movement of the working classes for higher wages attained its greatest development. The closing months of the year brought many reversals and correctives of the excitement of the earlier portion.

The possibility of European war had become almost a certainty; an exceedingly bad harvest had aroused serious apprehensions as to the supply and price of food; the rate of interest had risen so rapidly, that for some weeks there was financial pressure; a sharp revulsion had occurred in the demand for goods for Australia, for the markets there were already glutted.†

The opening of 1853 was marked by two measures of the Bank of

* ALISON'S *Europe*, vol. viii.

† TOOKE'S *History of Prices*, vol. v. p. 272.

England for raising the minimum rate of discount. That rate had been two per cent. since April, 1852; on the 6th January, 1853, it was raised to two and a half, and on the 20th January to three per cent. The total amount of bullion had been twenty-two millions in July, 1852; in January, 1853, the bullion had fallen to nineteen and a half millions, and the private securities had risen, from eleven millions, in November, 1852, to fourteen millions. But the maintenance, for nine months, of a rate so low as two per cent., the constant arrivals of new gold, and the evidences of a great prosperity on all sides, had produced a moral effect on the public mind so strong, that the rise of the minimum rate in January, 1853, excited very general surprise, and led to some loud expressions of discontent.

There had occurred in 1852, what has always occurred under similar circumstances of a very low rate of interest, advertised and fostered by the Bank of England. The great mass of the trading public had assumed, or persuaded themselves, that because the Bank of England had thought it consistent with its public duty and its general interest to maintain for a considerable period a rate of two per cent., *it was a safe* and admissible course to enter into large and distant engagements*; and when the course of the bank was changed, there was an evident disposition to find fault, and to affirm, that if the sudden augmentations of January, 1853, were necessary, the extreme depression of April, 1852, ought not to have taken place.†

The minimum rate remained at three per cent. from the 20th January, 1853, to the 2d June, 1853. It was then further raised to three and a half per cent. The total bullion in June was eighteen and a half millions, and the private securities thirteen and a half millions.

The measure of the 2d June led to renewed discussion. The resolution of the directors of the Bank of England to adopt three and a half per cent. as their minimum rate of discount, established a rise in the rate of interest on bills of exchange, and on commercial securities of an analogous character, fully equal to one and a half per cent., in the space of little more than five months. So important an alteration in so short a time, and so little corresponding with views and anticipations which were very generally entertained, could hardly fail to excite attention. In the autumn of 1852, the condition of the money market, as regarded the rate of interest, was very different from what it was in June, 1853. At the former date, the Bank of England minimum rate was two per cent.; the total stock of bullion in the two departments of banking and issue was larger than at any former period.

In the first week of January, 1853, the Bank of England raised its rate of interest from two to two and a half per cent., and that measure taking the public very much by surprise, led to discussions and investigations which were of infinite service in correcting many prevalent opinions. It

* Herein consists, we think, the error of the bank in cheapening money temporarily for the sake of its own profit, not for the public good, but leading the public astray.—*Am. Ed.*

† *Tooke's History of Prices*, vol. v. 273.

was found that the foreign trade, notwithstanding the rapid increase in the value of British exports, was in a condition which seriously affected the rates of exchange, for it had led to an export of bullion from Great Britain of sufficient magnitude not only to carry off, as they arrived, the supplies from Australia, but also to diminish the stock of bullion previously in the possession of the Bank of England. And it was also found, that whatever might have been the previous theories as to a necessary reduction of the rate of interest, the time had arrived when the directors of the Bank of England, guided by the ordinary rules of that establishment, could no longer discount bills at the low rate which had prevailed for some months. In short, it became clear that, whatever might be the cause, *there had been some precipitation in concluding that the supply of capital in the country had become so much greater than the demand, as to render necessary a sensible reduction both in the rate of discount and of interest*; that is to say, both in the rate at which money or capital is advanced on mercantile securities for short periods, and also in the terms on which capital is advanced on mortgages, debentures, and analogous securities of a permanent character for long periods. A second rise of the bank rate took place from two and a half to three per cent., and the increase of the 2d June further raised the minimum rate to three and a half per cent.*

The country had begun to feel the effects of the impetus which had been given to every kind of enterprise and industry; and the higher rate of interest in 1853, instead of being traceable to commercial difficulty or panic, seems rather the natural result of a state of things in which the price of the use of capital had been raised, because the demand for it was so far in advance of the supply as to enable capitalists to obtain more advantageous terms. It was not easy to lay down any specific rules or tests by which to ascertain whether or not we had reached what might be called a normal condition under the altered circumstances. It was clear the three and a half per cent. was a rate of discount likely to exercise considerable influence on the supplies of capital for really useful purposes.

The bank minimum rate was raised from three and a half to four per cent. on the 1st September, to four and a half per cent. on the 15th September, and to five per cent. on the 29th September, 1853. Between June and the end of September, the total bullion had declined three millions, ($18\frac{1}{2}$ to $15\frac{1}{2}$), and the private securities had risen about three millions.*

There cannot be any doubt that the real foundations for the rise in the rate of interest, which had been going on steadily for the first nine months of 1853, were laid widely and deeply during the twelve months ending with December, 1852, and more particularly during the nine months of that year which immediately followed the reduction of the bank rate to two per cent. In all shapes, on all sides, among all classes, engagements were made and enterprises were started, implying sooner or later the employment of more capital. There was every appa-

* *TOOKE'S History of Prices*, vol. v. p. 279.

rent inducement for embarking in such adventures, for the common topic of conversation was the boundless prospect of wealth opened to us by the Australian discoveries and the Australian markets, and the utter hopelessness of ever seeing again a high rate of interest in this country.

Among the most remarkable of the commercial phenomena of the nine months preceding June, 1853, had been the steady continuance of the export of gold from England to the continent of Europe, and to other places besides Australia. The exportation of gold to Australia had arisen from peculiar causes. The export to foreign countries was still going on, and was likely to do so, in spite of the great expansion of the foreign trade, *and in spite of an export of commodities exceeding that of any preceding period.*

About the middle of July, 1853, there occurred in London, and in some of the large towns, extensive and systematic strikes, on the part of artisans and laborers, for higher wages.

The example, perhaps, was set by the strike of the London cabmen, against the bill introduced into Parliament by the Home office, for fixing the fares at sixpence per mile, a measure of interference certainly not easy to defend. There were combinations among the lightermen employed on the river, among the laborers in the docks, among large classes of artisans on the south side of the Thames, and among other classes of workpeople. The artisans employed in the building trades in London, namely, masons, bricklayers and carpenters, demanded and obtained a rise of ten per cent. in their wages, and also a diminution of two hours per week in their work.

"Thus, independent of several minor and isolated strikes in Manchester and Bury, where about 1,000 hands are 'turned out,' Bolton, Newton, Heath, &c., there are at least, in the four centres of Burnley, Bacup, Preston and Wigan, closed, 183 mills, of the aggregate force of 7,400 horse-power, with 2,310,086 spindles, and 41,867 looms, and 47,100 operatives unemployed.

"It is no exaggerated estimate, to calculate the number of workpeople now on 'strike' in this county at 50,000, and the average loss of wages at £26,000 weekly."*

On the 3d October, 1853, the Porte declared war against Russia, unless the principalities were evacuated in fifteen days. On the 6th October, the Bank of France raised its rate of discount from three to four per cent. On the 28th October intelligence was received in London of the actual commencement of hostilities between the Turkish and Russian armies on the Danube.

The bank note circulation of 1852 and 1853 was, on the average, about two and a half millions higher than in the preceding year, but the highest range of the circulation was from May, 1852, to July, 1853. The country circulation remained very nearly stationary. The increase of wages and transactions, the remittance and conveyance of bank notes to Australia for emigration and other purposes, and the legal restrictions on

* Mr. HORNER's *Report on the Rise of Wages in Lancashire*; TOOKER's *History of Prices*, vol. v. p. 292.

the amount of the country notes, seem sufficiently to explain the larger quantity of bank notes. The total reserve of bullion in the Bank of England was nineteen and a half millions on the average of January, 1853, and fifteen and a half millions on the average of December, 1853 a decline of four millions. The decline, however, occurred after July, and the drain was heaviest in September, October and November. It happened most fortunately, that during those three months the arrivals of gold from Australia and elsewhere were large and frequent, and, beyond doubt, the appearance of such supplies at so timely a juncture, greatly diminished alarm.

The years 1852 and 1853 had afforded a rich harvest to almost every class of persons connected with ships. The enormous emigration of 1852, and the enormous imports and exports of 1853, created a sudden and large demand for freight, far beyond the resources of the vessels really available.

Thus, in 1853, the aggregate of the London imports of timber have exceeded by 33 per cent. the corresponding importation of 1852; but the larger aggregate supply, finding its approximate consumption, has not added to the aggregate stocks of timber in hand in the United Kingdom.

The importation of timber into London has employed, since 1850, the following quantity of shipping,* viz. :

<i>Year.</i>	<i>Ships.</i>		<i>Tonnage.</i>
1853,.....	1,853	....	574,000
1852,.....	1,419	....	432,000
1851,.....	1,457	....	456,000
1850,.....	951	....	309,000

The years 1852 and 1853 were a period of great activity, and generally of great prosperity. The demand for labor, for manufactured goods, for shipping, and for the infinite varieties of commodities absorbed by the enormous export trade to Australia and California, produced marked effects on prices and the general condition of the country, effects, however, which were extensively modified by the bad harvest of 1853, and the prospect of the Russian war, then become imminent.

THE YEAR 1854.

The year 1854 was distinguished by a state of things in nearly all respects the reverse of 1853. In 1854, the year opened with the prevalence among the public of feelings of uncertainty and distrust, excited by the near approach of an European war. The bad harvest of 1853 had raised the prices of corn to a scarcity point, and there was a manifest pause in the career of prosperous trade which had marked the early months of 1853.

As the year proceeded, the sources of difficulty increased. The stoppage of trade with Russia raised the price of several important raw ma-

* CHURCHILL'S *London Circular of December 31, 1853*; TOOKE'S *History of Prices*, vol. v. p. 228.

terials of manufacture. The reports of the Australian market became worse and worse, and led to extensive and serious failures on this side. In the summer similar difficulties occurred in the trade with the United States, and for a considerable period a severe commercial crisis prevailed at New-York and other leading American cities, *the origin of which was OVER-TRADING to California*, and over-investments in railways and land.†

In the autumn occurred the failures in the shipping trade. The supply of new ships had at length not only overtaken but exceeded the demand. The landing of the army in the Crimea had abated the first great pressure of the government for transports; the cessation to a great extent of the exports to Australia had cut off one of the principal channels of employment; and there was a sudden and severe revolution in the value of shipping property, a revolution which produced failures and discredit.

As regarded the great staple manufactures of cotton and woollens, there was throughout the year a strong and constant tendency to check the advance in prices and wages which had taken place in 1852 and 1853.

The large additions to factory power, made in those years, produced their natural result in 1854, in a rapid increase of production, and the demand having materially lessened, there was a constant tendency in 1854 to work short time, and arrive in various ways at a reduction of wages.

At the opening of the year the Bank of England minimum rate was five per cent., as fixed on 29th September, 1853. The total bullion was fifteen and a half, and the private securities fourteen and a half millions.

The minimum rate was raised to five and a half per cent. on the 11th May, 1854, and at that time the total bullion had fallen to twelve millions; but beyond the rise of the half per cent. there was no unfavorable change in the money market. On the contrary, it was a topic of observation, that the actual commencement of the war had caused scarcely any disturbance.

The minimum rate was again lowered to five per cent. on the 27th July, and remained at that figure till April, 1855.

It can hardly admit of a question that the influx of gold from Australia saved* England from extreme commercial pressure during the close of 1853, and early months of 1854.†

At the end of October, 1853, the total reserve of bullion in the Bank of England was about fifteen millions. In the middle of April, 1854, it was barely fourteen millions, and in the interval of five months the arrivals of gold and silver from Australia, America and other quarters, have been equal to more than ten millions. The amount of the banking reserve at the end of October, 1853, was about six, the securities twenty-eight and the circulation twenty-four and a half millions. These figures were not materially different in April, 1854. The reserve stood at six, the securities at twenty-nine, and the circulation at twenty-three and a half millions. The extra million of securities had been half derived from the

* But continued to give an undue impetus to trade, domestic and foreign.—*Am. Ed.*

† *Tooke's History of Prices*, vol. v. p. 309, &c.

circulation and half from the deposits. But if there had been no arrival of ten millions of new gold in the interval, what would have been the situation in April? As the facts stood, the money market had been firm and quiet. The rate of interest had remained steadily at five per cent.

Large receipts of grain from the United States were reported throughout the year 1854. But in former periods of a similar character, in 1846-47 for example, the effect of a large and sudden demand for American grain was very different. Then the excess of importations was on the side of England, and the money market here was deranged by the consequent efflux of gold. It would have been so again during 1853-4, if the enormous and active demand for imported goods, *excited in America by the influx of the California supplies, had not acted so powerfully on the trade between the two countries as to render the large exports of grain to England no more than a corrective of the previously existing adverse state of the exchange as concerned America.* The money market remained in a quiet and sound condition throughout the summer.*

There had been a recovery of six or seven per cent. in the price of consols even so early as June; and about the same time it appeared that the rate of interest at Paris, Hamburg and Amsterdam was not only as free from excessive elevation as in London, but was very considerably lower, and comments were very general on the apparent anomaly of differences in the rate of interest so great in places so near to each other, and so intimately connected for trading purposes.

To refer to the rate of interest on the continent. It was stated that in Amsterdam the rate of discount was two per cent., in Hamburg three to three and a half, and in Paris four per cent. In London, the minimum rate of discount at the Bank of England was five and a half per cent., and out of doors the rates were, on the whole, even less favorable to borrowers. In New-York, Boston and Philadelphia, the rate of interest had been for some time ten to twelve per cent. per annum.

The failures consequent on the crisis in America and the glut in Australia, did not occur to any serious extent earlier than July. The greatest failure of all, namely, that of Mr. OLIVER, of Liverpool, who, in the course of a short time, had become the registered owner of a very large fleet of vessels, did not occur till October.

In the United States the month of July was rendered memorable by the discovery of the forgeries of ROBERT SCHUYLER, who had availed himself of his position as president of certain leading American railways to issue forged securities of the several companies, to the extent of nearly a million sterling. The failures and discredit in various parts of the Union were excessive, and a large number of banks were swept away. In San Francisco, about the end of the year, there was something very like a general suspension of payments.*

The following table will show the remarkable changes in the rates of freight paid in London to places as under, during the months of January, April, July and October, 1852-56 :

* TOOKE'S *History of Prices*, vol. v. p. 318.

Dates.	To New-York.	CALCUTTA.		MELBOURNE.			
	Per Ton.	Measurement Goods, Per Ton.	Measurement Goods, Per Ton.	Measurement, Per Ton.	Liquids in Bulk, Per Ton.	Liquids in Bulk, Per Ton.	
1852.	s. d.	s.	s.	s.	s.	s.	
January,.....	15 ..	....	22	....	42	....	52
April,.....	12 6	....	22	....	47	....	55
July,.....	10 ..	....	22	....	50	....	70
October,.....	12 6	....	25	....	60	....	75
1853.							
January,.....	20 ..	....	30	....	80	....	110
April,.....	22 6	....	35	....	80	....	95
July,.....	28 ..	....	42	....	85	....	95
October,.....	20 ..	....	45	....	70	....	85
1854.							
January,.....	20 ..	....	47	....	90	....	110
April,.....	22 6	....	50	....	85	....	110
July,.....	27 6	....	42	....	65	....	90
October,.....	20 ..	....	35	....	65	....	85
1855.							
January,.....	12 6	....	25	....	45	....	60
April,.....	10 ..	....	22	....	50	....	65
July,.....	10 ..	....	20	....	45	....	65
October,.....	10 ..	....	20	....	37	....	60
1856.							
January,.....	10 ..	....	25	....	40	....	55
April,.....	12 6	....	18	....	37	....	60
July,.....	10 ..	....	18	....	37	....	50
October,.....	9 ..	....	20	....	37	....	47

During the year 1854 vessels rose to a higher price than they had ever been since the last war, and, in some instances, ships which four years ago could have been bought for £15 to £16 per ton, freely sold for £26 to £27, and some cases £28 per ton register.

This arose entirely from the sudden demand for A 1 vessels, suitable for the transport service when war was declared against Russia. At that time, (March, 1854,) the government were paying 33s. to 35s. per register ton per month for sailing vessels; and even at these rates sufficient could not be found to meet the emergency. No sooner had the army embarked than the demand ceased, and in less than two months afterwards similar ships could easily be procured at the reduced rate of 20s. per register ton per month. At that rate far more ships were offering than could find employment.

The blockade of the Russian ports materially stopped the supply of Baltic timber. This led to orders to America to engage, even at most extravagant rates, American vessels to load in the St. Lawrence with timber and deals for England, and these cargoes were, many of them, sold when they arrived at prices which barely paid freight and charges.*

In April, 1851, Mr. THOMSON HANKEY, Jr., who had been elected one

* TOOKER'S *History of Prices*, vol. v. p. 320.

of the directors of the bank in 1835, succeeded Mr. HENRY JAMES PRES-COTT as governor. Mr. JOHN GELLIBRAND HUBBARD, who was first elected a director in 1838, became deputy-governor in the year 1851. Both these gentlemen were re-elected in 1852. In 1853, Mr. HUBBARD was chosen governor and Mr. THOMAS MATTHIAS WEGUELIN became deputy-governor, both for two years.

1851-1854.

The following were the leading commercial and financial events of the years 1851-1854 :

1851.—Gold discovered in large quantities in Australia. Gold fields proclaimed as belonging to the crown. Chamber of Commerce, Melbourne, established. The London exhibition opened, May 1. Contract of Pacha of Egypt with Mr. STEPHENSON for a rail-road from Alexandria to Cairo. Railways completed between St. Petersburg and Moscow, Dublin and Galway. COLLINS' steamer *Pacific* arrived in Liverpool, May. Yacht *America* won the race at Cowes, 22d August. Hudson River Rail-Road opened to Albany, 8th October. Dr. KANE returned from the GRINNELL expedition, October.

1852.—Construction of French Crystal Palace ordered, February. Telegraph communication between London and Paris, November 1. Great free trade banquet at Manchester. Expedition of United States naval forces to Japan, March. Dr. RAE returned from his search for Sir JOHN FRANKLIN, February. Ship *Prince Albert* returned from search for Sir JOHN FRANKLIN, 7th October.

1853.—Trial trip of the caloric steamship *Ericsson* from New-York to the Potomac, 11th January. Second Arctic expedition left New-York, 31st May. American expedition arrived at Japan, 8th July. Loss of the steamship *Humboldt*, 5th December. Cochinchina fowl mania in London. Discovery of the northwest passage, by Capt. McCLURE, R. N. War between Russia and Turkey. Shanghai taken by the rebels, September 7.

1854.—Combined fleets of England and France entered the Black Sea, 11th January. Dr. BOWRING appointed British Commissioner of Trade in China. Loss of the steamer *San Francisco*, 5th January. Steamer *City of Glasgow* lost, March. Declaration of war by England against Russia in behalf of Turkey, 28th March. Treaty of alliance between England, France and Turkey, March. Commercial treaty between United States and Japan. Reciprocity treaty between England and United States, June 7. French loan of 250,000,000 francs, announced March 11, and the Turkish loan of £2,727,400. Distillation from cereals prohibited in France. London joint-stock bankers admitted to the clearing-house, June 7. Crystal Palace at Sydenham opened 10th June. Bombardment of San Juan by ship *Cyane*, 13th July. Loss of steamer *Arctic*, 27th September. Captain McCLURE returns from Arctic discovery, 28th September.

CHAPTER VI.

THE YEARS 1855-1856.

THE YEAR 1855—GREAT GLOOM PREVAILING—WAR WITH RUSSIA CONTINUED—REDUCTION IN FREIGHTS, AND IN SHIP-BUILDING—IMPORTS OF COLONIAL TIMBER—BANK RATE OF DISCOUNT 5 PER CENT. FOR TWENTY-TWO MONTHS—REDUCED TO 4½.

THE YEAR 1855.

IN the course of 1855 the causes of depression which had been in operation in 1854 were still active, but the difficulties did not prove by any means so severe. The year opened amidst great gloom. The public were beginning to understand the lamentable and critical condition of the army in the Crimea, and the prospects of the new campaign were of the most cheerless character. The price of grain was still high, notwithstanding the abundant crop of 1854. The heavy additional taxes occasioned by the war were severely felt by large classes of persons. Butcher's meat was very dear. The commercial collapse in the United States, the discredit in Australia, the civil war in China, and the unsettled state of Europe, all interfered with the progress of trade, particularly the external trade.

The bank minimum rate of discount remained at 5 per cent. (as fixed on the 27th July, 1853) till 5th April, 1855. It was then reduced to 4½ per cent. On the 3d May it was further reduced to 4, and on the 14th June still further reduced to 3½ per cent. With September began, on the part of the Bank of England, *with a view to retrieve the evils arising out of these rapid reductions*, the series of measures which constituted the financial pressure of the close of the year. From 4 per cent., as fixed on the 4th September, the minimum rate was run up to 6 and 7 per cent. by the 17th October.*

In the shipping trade of the year 1855 there has been less fluctuation in freights than might have been expected during a period of war. There has been, in fact, much less fluctuation, and a more steady demand for vessels, than we have found in years of peace. Trade has been more limited, and tonnage has been ample to meet its requirements. Freights have consequently ruled lower than in 1853 and 1854.

The following table* will show the average rates at which vessels were engaged in England in 1853 and 1854 :

<i>Destination.</i>	1853. s.		1854. s.	
Bombay, (general cargo)	41	....	30	per ton register.
Calcutta, "	44	....	29	"
Hong Kong, "	66	....	51	"
Sydney, "	80	....	68	"
Port Philip, "	83	....	66	"
Odessa, "	86	....	104	"

* TOOKE'S *History of Prices*, vol. v. p. 330.

As regards the extent of ship-building on the Clyde, a Glasgow circular gives the following figures* of iron steamships built and building at 31st December of each of the years 1853-1855 :

Year.	Launched in Year.			Building 31st Dec.		
	No.	Tonnage.		No.	Tonnage.	
1855,....	107	85,000	....	57	38,000	....
1854,....	129	70,000	....	54	47,000	....
1853,....	79	55,000	....	97	61,000	....

From the official returns we can compute the importation and home consumption of timber in the United Kingdom, as follows, viz. :

	1852.	1853.	1854.	1855.
<i>Imported.</i>	<i>Loads.</i>	<i>Loads.</i>	<i>Loads.</i>	<i>Loads.</i>
Colonial timber, deals, &c.,....	1,151,000	1,200,000	1,440,000	948,000
Foreign	891,000	1,326,000	1,050,000	857,000
Total imports,	2,042,000	2,526,000	2,490,000	1,805,000
<i>Consumption.</i>				
Colonial timber, deals, &c.,....	1,156,000	1,219,000	1,441,000	947,000
Foreign	945,000	1,066,000	1,162,000	950,000
	2,101,000	2,285,000	2,603,000	1,897,000

The changes in the condition of the bank in the year 1855 are represented in the following summary of circulation, deposits, loans, bullion reserve, and rate of discount :

1855.	<i>Circulation.</i>	<i>Public Deposits.</i>	<i>Other Deposits.</i>	<i>Public Securities.</i>	<i>Other Securities.</i>	<i>Bullion.</i>	<i>Rate of Disc't.</i>
April 7,	£20,717,199	£6,008,895	£11,996,875	£13,026,749	£13,655,995	£15,078,818	.. 4½
May 5, ..	21,258,966	4,337,590	12,645,651	13,591,373	12,721,050	15,619,219	.. 4
June 16, ..	20,570,965	5,586,754	13,307,714	12,631,068	12,399,704	18,060,716	.. 3½
Sept. 8, ..	21,133,671	7,591,337	10,970,353	13,031,088	16,637,227	14,217,376	.. 4
" 15, ..	20,703,610	7,833,531	11,146,762	12,799,363	17,333,734	13,693,455	.. 4½
" 29, ..	21,174,423	8,144,209	11,437,955	12,125,026	19,915,763	12,933,923	.. 5
Oct. 6, ..	21,304,102	7,106,524	10,337,643	11,413,043	19,791,293	12,279,231	.. 5½
" 20, ..	21,351,884	3,825,021	11,764,030	10,635,359	18,789,512	11,230,207	.. 6 & 7

THE YEAR 1856.

Early in January, 1856, the rumors of approaching peace were fully confirmed. The disposition on the part of Russia to seek a termination of the war seemed to admit of no question, and the only points left in suspense were the details of the treaty to be framed at the conferences at Paris. The year, therefore, may be considered as having proceeded from the first upon peace anticipations. The Bank of England minimum rate remained at six and seven per cent., (as fixed on 17th October, 1855,) until 22d May, 1856. It was then reduced to six per cent. ; a week afterwards, 29th May, to five per cent., and on the 26th June to four and a half per cent.* On the 1st October the rate was raised to six, and on the 6th October to six and seven per cent., and on the 13th November to seven per

* TOOKE'S *History of Prices*, vol. v. p. 331.

cent. on all classes of bills. The following were the changes in the items of loans, deposits, bullion, &c., during the year 1856 :

Date.	Circulation.	Public Deposits.	Other Deposits.	Public Securities.	Other Securities.	Bullion.	Rate of Disc't. Per ct.
1856.							
May 24.	£ 20,074,819	£ 3,535,203	£ 11,472,481	£ 12,479,416	£ 15,377,046	£ 10,558,804	.. 6
" 31.	20,328,208	3,686,524	10,745,271	12,612,119	14,042,418	11,384,656	.. 5
June, 28.	20,312,801	5,704,570	9,810,045	11,276,155	14,808,958	13,073,758	.. 4½
Sept. 27.	21,151,629	8,409,851	9,956,813	11,964,953	19,616,384	11,769,372	.. 5
Oct. 11.	21,501,201	8,001,501	9,843,912	11,378,905	21,049,117	10,140,067	.. 6 & 7
Nov. 15.	20,825,251	4,924,785	10,113,363	10,457,869	19,054,017	9,684,167	.. 7
Dec. 6.	20,055,142	5,870,709	9,297,193	10,640,867	17,889,715	10,486,198	.. 6½
" 20.	19,385,282	6,891,949	9,493,093	10,870,431	17,654,460	10,513,823	.. 6

The Bank of England has eleven branches, viz., Manchester, Swansea, Birmingham, Liverpool, Bristol, Leeds, Newcastle, Hull, Plymouth, Portsmouth and Leicester. All these branches issue notes of their own, and it is understood that the proportion of the whole of the Bank of England circulation, as between the bank in London and the branches, is that two-thirds are issued from London, and one-third from the branches. Thus, out of a circulation of £21,000,000, the London notes would be £14,000,000 and the branch bank notes, £7,000,000. The notes of each branch only are payable in coin at the branch from which they are issued; but the whole, town and country notes equally, are payable in coin at the bank in London. Otherwise Bank of England notes are a legal tender in England, but *not* in Scotland or Ireland—provisions having been inserted in the acts of 1844–5 to make that clear.

We cannot conclude these observations without calling attention to what must be regarded as a very striking and significant feature, and which is indicated by these returns, and the importance of which will be more plain when taken in connection with the foregoing observations. It is the amount of bullion held by the Bank of England. It will be seen that in no year since 1842 up to 1856, not even excepting 1847, has the bullion stood so uniformly low throughout the year as in 1856—and that notwithstanding the large importations during the year.*

At this time a singular fraud was discovered in France. The person who had the collection of the rents of the houses and apartments in the Passage de la Marmite, in the quartier St. Martin, which belongs to the Administration des Hospices, in paying in the money which he had received at the central office, discovered a forged bank note of 100f. This note, which at the first glance appears to have been admirably done, was executed entirely with the pen. It was thought it must have been the work of a foreigner, as there were several orthographical errors, sufficient to cause the fraud to be detected. These errors might be seen in the words written in the small escutcheons on either side of the note. The water-mark, too, had been managed in such an ingenious way as to deceive the eye of an ordinary observer. The time occupied by the person who had executed the note must have been worth infinitely more than

* London *Economist*.

100f., which it represented. An inquiry was instituted by the commissary of police, with what result is not known.

Mr. TOOKE, an English writer of celebrity, has lately added two volumes on the prices of 1848–1856. From these volumes we extract the following summary of conclusions with reference to the prices of commodities and state of trade in 1848–1856 :

“Without attempting to include in a summary of conclusions all the inferences which arise from the survey and narrative now concluded, as to the changes since the discovery of gold in California, I present the following statements as setting forth those results which are best established and most important, viz. :

“That, as regards the great articles of import, such as colonial and tropical produce, and commodities largely employed in this country as raw materials of manufacture, the course of prices during the nine years, 1848–1856, may be described, in general terms, as follows, viz. : During 1848 and 1849 there was a general, and, in several important instances, a strong tendency to lower prices ; that in 1850, partly in consequence of larger consumption and partly in consequence of actual or apprehended failures of supply, prices sensibly, and, in some cases, materially advanced ; that in 1851 there was again an extensive and severe decline, attributable almost wholly to excess of supply ; that in 1852 there was a manifest tendency towards recovery ; that in the first nine months of 1853 the upward tendency of the previous year reached its highest point, establishing and maintaining for nine months a range of prices considerably higher than had prevailed for a long period ; that, from the autumn of 1853 to the close of 1854, there was a sensible reaction from the previous high rates, except as regards some of the articles immediately affected by operations, or the commissariat consumption of the war ; and that in 1855 and 1856 the markets were quiet and firm, exhibiting only such fluctuations as arose out of ordinary changes in supply and demand. In a future part (VII.) I shall inquire how far the fluctuations of prices now referred to were connected with the influx of the new gold.

“That the first effects of the California discoveries of 1848 were felt in this country in 1850 and 1851, and manifested themselves in the increased demand for British and foreign articles suitable for the export trade to the United States ; that the same effects were still more sensibly felt in the course of 1852 ; that in 1853 the consumption of British goods in California and the United States generally had become so large and rapid, as to counteract almost entirely, as regards this country, any prejudicial effect upon the balance of trade of the vast imports of grain, rendered necessary by the serious failure in these islands of the harvest of 1853 ; that the same large American demand for British exports continued through 1854 and 1855, and had prevailed through 1856, interrupted but casually by the extensive failures and discredit which prevailed in the United States and California during portions of the years 1854 and 1855 ; and that, as the general result of the trade between this country and the United States since 1850, the absorption of British exports, either in California itself, or in those regions of the North American continent to which the supplies of California gold are chiefly sent in the first instance, has increased so rapidly as to render necessary a con-

stant and large transmission of the precious metals from America to this country.

“That the effects of the Australian discoveries of the summer of 1851 were felt in this country in a striking manner early in the following year, (1852,) manifesting themselves in a sudden and large expansion of the stream of emigration from these islands, and in a sudden and large expansion in the shipment of nearly all descriptions of commodities; that the demand for ships hence arising could not, in the then condition of the mercantile marine, be readily supplied; and the consequence was an enormous increase of the rates of freight, and a demand for new ships so urgent, that considerably higher wages were at once conceded in all the ship-building trades; that the same urgent demands for Australia continued in the early part of 1853, were considerably moderated in 1854, still more reduced in 1855, but in 1856 were again marked by considerable activity.

“That the movement for higher wages successfully commenced in the autumn of 1852; in the ship-building trades became almost universal in the first half of 1853; and previous to September, in that year, had led to a very general addition of from 12 to 20 per cent. to the wages current in 1851; but that the effect of the bad harvest of 1853, the war of 1854-’55, and the glut of the Australian markets, was to produce a considerable reaction from this advance, especially in the factory districts.

“That the first and immediate effect of the high prices of colonial and other imported articles in 1852 and 1853, and of the high prices and large demand for manufactured goods in the same years, was to occasion vigorous efforts and a large expenditure of capital, with a view to opening up new fields of supply, and creating extended means of production; and that it is principally to the operation of these causes that the steady and frequently declining course of prices since 1853 is to be attributed.

“That, as far as trustworthy evidence can be obtained, there are no facts in the experience of the last nine years which justify the conclusion that in this country the fluctuation of prices, the course of trade, or the increased demand for goods arising out of the large exports to America and Australia, were immediately preceded by, or connected with changes in the amount of the aggregate outstanding circulation of bank notes. In other words, all the evidence available to us points distinctly and uniformly to the conclusion that the fluctuations of the bank note circulation were determined and regulated by the consequences flowing from previous applications of capital and credit in particular modes.

“That, further, in a great number of specific instances, it can be shown conclusively that fluctuations of price of the most important kind, and in the largest markets of the country, took place either without the occurrence of any change whatever in the bank note circulation, or contemporaneously with the occurrence of a change the precise opposite of that which, on *a priori* grounds, or on the grounds on which the currency theory is built, would have been expected to precede or accompany the particular alteration in the markets.

“That neither is there any such coincidence between variations in the rate of interest and variations in the markets for produce, as to justify

the inference of a direct connection between them in the relation of cause and effect. That the first effect of the gold discoveries on the financial condition of this country was the remarkable and prolonged depression in the rates of interest and discount which prevailed during the twelvemonth preceding the spring of 1853; that this effect on the rate of interest was the immediate consequence of an excessive accumulation, principally in the Bank of England, of the early remittances from California and Australia; and that the influence produced by these accumulations on opinion and credit was greatly extended and aggravated by the maintenance at the Bank of England of a rate of discount so low as 2 per cent. from April, 1852, to January, 1853.

“That the rise of the rate of discount which commenced in January, 1853, and has been maintained during the subsequent three years, is to be traced in its origin and continuance to extended demand for capital for the purpose of new, distant and costly enterprises, directed either to the construction of public works, to the extension of old and introduction of new processes, or to the exploration of new fields for the supply of commodities; and that, so far as we can judge from recent experience, the absorption of capital for these and other objects becomes more rapid and extensive with every year.

“That the interruption to the trade of the country occasioned by the Russian war of 1854–5, was comparatively slight, and for five reasons, viz.: 1. Because the theatre of war was in a remote part of the east of Europe; 2. Because the enemy had practically no navy that could molest our commerce; 4. Because the raw materials previously obtained from Russia still continued to arrive through neutral ports, or were readily replaced by imports from India and elsewhere; and, 5, lastly. Because the invention of the telegraph, the existence of steam, and the enormous resources of our mercantile marine and postal services, enable us to accomplish in a few weeks operations which, at the commencement of the century, would have occupied a long series of months. That further, in addition to, and far more powerful than any of the five causes just enumerated, was the effect of the continued influx of gold during 1854 and 1855—but especially during the latter portion of 1855, in averting from this country and from France the extreme financial pressure and peril which, in the absence of that influx, must inevitably have been produced by the necessity of providing large and constant remittances of gold to the seat of war; and must inevitably have placed entirely out of question the maintenance of the restrictions of the bank charter act of 1844, and perhaps have even imperiled the maintenance of the act of 1819.

“That during the years 1848 and 1849, and part of 1850, the losses and discredit which fell with crushing force on a large portion of the middle classes involved in the railway expenditure, did, beyond question, produce some important effect in limiting the consumption of commodities.

“That, on the other hand, it was a direct consequence of the railway expenditure of the years 1848, 1849 and 1850, that the working classes were provided with fair employment during a period of interrupted trade; and it was also a direct consequence of the cheapness of food, and

the low range of general prices which prevailed to the year 1852, that the working classes were able to command, by means of their wages, a larger amount of sustenance and comfort than had been within their reach probably at any former period of the century.”*

The leading commercial and financial events of the two years, 1855–1856, were as follows :

1855.—Discovery of Captain FRANKLIN’S remains. £10,000 awarded Captain McCURE by Parliament. Paris exhibition opened, 15th May. Submarine telegraph wire laid in Black Sea. Resistance by United States to the payment of Sound dues. First rail-road train crossed the suspension bridge at Niagara, 14th March. French loan of 500,000,000 francs taken, 18th January. Suspension of PAGE, BACON & Co., ADAMS & Co., San Francisco, 22d February. Failure of STRAHAN, PAUL & BATES, London, June 16—sentenced to 14 years transportation. English loan of £16,000,000 taken by ROTHSCHILDS, 20th April. Ships *Arctic* and *Release*, Capt. HARTSTEIN, left New-York for relief of Dr. KANE and party.

1856.—Russia accepts, unconditionally, terms of peace, January 17. The steamer *Pacific*, Capt. ASA ELDRIDGE, 23d January, leaves Liverpool, and is not again heard from. Great freshets and breaking up of ice in the Ohio and Mississippi; many steamboats destroyed, 23d and 26th February. Seizure of Nicaragua transit steamers, by Gen. WALKER, February. Suicide of Sir JOHN SADLER, February 16. Preliminaries of peace signed at Paris, March 1st. Failure of the Atlas Marine Insurance Company, New-York, March 12th. The steamship *Adriatic* is launched at New-York, 7th April. Denmark proposes to commute the sound dues, May. Dismissal of Mr. CRAMPTON, British Minister at Washington, May 28th. Inundations in France cause a fall of three per cent. in French securities, June. Failure of Mr. HENRI PLACE, one of the administrators of the *Credit Mobilier*; liabilities eighteen million francs. Decision of the New-York Court of Appeals in favor of the New-York and New-Haven Rail-Road Company, June. Honduras Rail-Road contemplated by French capitalists, July. Failure of the Royal British Bank, September. Failure of PALMER, COOK & Co., San Francisco, and of the State of California to pay interest at New-York, July. A formidable insurrection breaks out at Madrid, Spain, 14th July; it is suppressed in Madrid after a bloody contest of 30 hours, 16th July. Canton attacked by the English, 24th October. An insurrectionary movement broke out in Sicily, but was speedily suppressed by the military, 22d November. Failure of JACOB LITTLE & Co., New-York, December 5th. Failure of HENSHAW & SON, Boston, bankers, December. Arrival at Spithead of the “*Resolute*,” Arctic discovery-ship, 10th December. The Arctic discovery-ship *Resolute* was delivered to the British authorities at Portsmouth, 30th December.

Railway expenditure led to the disaster of the year 1857. There are three periods very distinctly marked in the financial history of that expenditure, for example :†

1. To the three excited years, 1844, 1845 and 1846, it is sufficient simply to refer. They were a period of extravagance and delusion.

* TOOKER’S *History of Prices*, vol. v. p. 369. † *Bankers’ Magazine*, N. Y., 1858–9.

2. The next four years, 1847, 1848, 1849 and 1850, witnessed the extreme pressure entailed by the vast schemes of the previous years.

3. With 1851 began a sensible recovery. The crisis had been passed, and every subsequent year has contributed to improve the value of railway investments.*

In the following table this general statement is illustrated by quotations of the price of stock of seven of the leading lines, from the end of 1846 to the end of 1851 :

PRICES OF ENGLISH RAILWAY STOCK (£100 PAID UP) ON SEVEN LEADING LINES, 1846-1850.

LINES.	1846.	1847.	1848.	1848.	1849.	1849.	1850.
	1 Jan.	1 Jan.	1 Jan.	1 July.	1 Jan.	1 May.	1 Jan.
London and N. Western,.....	215	196	150	121	125	130	109
Great Western,.....	195	150	105	93	93	93	58
South Western,.....	150	170	120	94	80	72	61
Midland,.....	150	130	107	100	85	70	45
Brighton,.....	135	118	82	62	62	76	80
South Eastern,.....	120	120	90	70	72	63	57
York and N. Midland,.....	210	190	144	140	110	74	34

PRICES OF RAILWAY STOCK, (£100 PAID UP,) 1851-1856.

LINES.	1851.	1852.	1853.	1854.	1855.	1856.	1856.
	1 Jan.	1 Jan.	1 Jan.	1 Jan.	1 Jan.	1 Jan.	1 Aug.
London and N. Western,.....	123	118	127	102	100	94	108
Great Western,.....	77	86	96	84	70	53	65
South Western,.....	66	87	92	77	84	86	107
Midland,.....	47	57	81	61	70	64	85
Brighton,.....	87	95	109	97	107	94	107
South Eastern,.....	66	64	84	60	60	58	66
York and N. Midland,.....	44	44	60	47	52	45	60

Among the greatest achievements of this period are the opening up of new fields of supply, and the deepening of old channels of consumption. They have brought into profitable use mines, forests, quarries, arable and grazing districts, fisheries, harbors and rivers previously inaccessible. The produce arising from these various and numerous sources is so much additional wealth placed at the command of the community.* But still greater even than these achievements are the advantages arising from the cheap and rapid conveyance of passengers over long distances. Every enterprise is now carried on with, perhaps, ten times as much dispatch, and with ten times less trouble than forty years ago; and the facility of personal superintendence is certainly twenty times greater than it was then. It is not difficult, therefore, to comprehend, that to accelerate even by a few years the completion in a country of an extensive system of railways, is to confer upon it advantages, the real value of which it is impossible to represent in terms of money; and we shall find, in the considerations connected with this mode of viewing the facts, a correction of many prevalent errors relative to the cost of English railways. Let us see what was the comparative progress which, at the end of 1854, had been

* *TOOKE'S History of Prices*, vol. v. pp. 360-364.

made by the countries of Central and Western Europe, and by the United States, in providing themselves with railways :

GENERAL SUMMARY OF THE COMPARATIVE EXTENT OF RAILWAY OPEN AT THE CLOSE OF 1854, IN DIFFERENT COUNTRIES.

Country.	Area in Eng. Square Miles. No.	Miles of Railway open in 1854. No. of Miles.	Miles of rail open to each 100 Sq. Miles of Area.
England and Wales,.....	57,800	.... 6,100	.... 15.2
Scotland,.....	30,240	.... 1,040	.... 3.5
Ireland,.....	31,870	.... 900	.... 2.8
	119,910	.... 8,040	.... 6.7

In April, 1855, Mr. THOMAS MATTHIAS WEGUELIN, who had been elected a director in the year 1838, and deputy governor in 1853, was made governor of the bank, and again in April, 1856, Mr. SHEFFIELD NEAVE being deputy-governor for both years. The extreme views of writers in reference to the charter of the bank are in part indicated by the following letter :

THE ACT OF 1844 A SWINDLE.

To the Editor of the "Money Market Review."

Sir,—Allow me to call the attention of your readers to the fact, that the act of 1844 operates on the interests of both employers and their workpeople as a gigantic swindle, unintentionally, no doubt, but nevertheless it is a fact. The act alters periodically the value of the measure by which the labor of the operative and the goods of the employers are measured, producing the same effect as if false weights and measures were used for the benefit of the moneyed class to the prejudice of all other classes. In illustration of this fact, imagine a pair of scales for the purpose of weighing value ; put a piece of cloth, or any other product of labor into one scale, worth, in ordinary times of trade and credit, a pound sterling, and into the other scale a pound, either in the shape of a sovereign or bank note, and the scales will balance each other. Now, let a monetary panic occur, such as took place in 1847 and 1857, arising from gold being taken from the Bank of England, and the money of the country to the same amount reduced by the destruction of bank notes, as compelled by the act of 1844, and mark the consequences. The price of all stocks of goods in traders' hands will fall some 30 to 70 per cent., as was the case in those panics. We will assume, for the sake of clearness, the fall to be 50 per cent., or one-half in value. The owner of the pound sterling then gets double the quantity of cloth in exchange, whilst the manufacturer gets only 10s. instead of 20s. for his article. He must then, in self-defence, either reduce the wages of his workpeople, or run short time, or close his mill and turn them adrift. In this way does the law, by altering at times the measure of value, ruin hundreds of masters, and reduce thousands of the working-classes to beggary and starvation.

* * * * *

I am, sir, your obedient servant,

HAMER STANSFELD.

Highfield, Windermere, April 22, 1862.

CHAPTER VII.

THE YEAR 1857.

THIS, too, was one of the remarkable years in the history of the bank. An advance in the rate of interest to 7 per cent. was made by the Bank of England on the 12th of October, 1857, and was deemed a measure of self-protection, and one fully authorized by the exigencies of trade. It would be well if the banks in other countries could, under similar circumstances, and with similar prospective advantages, increase their rates on loans to 7, 8 or 9 per cent., and thereby deter speculation. Since the close of the war with Russia, in the spring of 1856, the policy of the Bank of England has not, however, been a consistent one. They have adopted, upon too slight considerations, and in repeated instances, during the years 1856-'7, a lower rate for a higher; and, in turn, (finding their error,) changed from the low to the higher rate.

On the 4th December, 1856, after numerous failures of commercial houses and provincial banks, the Bank of England, in view of large accumulations of bullion, reduced the rate from 7 to $6\frac{1}{2}$ per cent., and on the 18th, (two weeks later,) to 6 per cent., the Bank of France at the same time relaxing its restrictions, by taking bills having 75 days (instead of 60) to run. These movements were hasty and unwise, as may be seen by the speedy return to higher rates.

1857, January 9.—The rate on government stock advanced.

April 2.—The rate on commercial bills advanced from 6 to $6\frac{1}{2}$ per cent., and on the 9th the bank advanced the rate on government stock to 7 per cent., and refused to discount brokers' bills having more than one month to run.

May 7.—The bank refused to make loans on government securities *on any terms*.

June 18.—The rate of discount reduced from $6\frac{1}{2}$ to 6 per cent. (The Bank of France, on the 25th, from 6 to $5\frac{1}{2}$.)

Sept. 3.—The Bank of England recommenced their loans on six months' bills [of late confined to three months.] This was a measure rather calculated to encourage than repress speculation.

October 12.—The rate advanced from 6 to 7 per cent.

October 19.—The rate advanced from 7 to 8 per cent., and finally, on the 5th of November, to 9 per cent.

These changes in the bank policy occurred, it must be borne in mind, when there was a continuous flow of gold and silver from England to India and China—a current that should forcibly have led the bankers, the merchants, the legislators, of England, to fear a reaction. We will refer to the figures, and show the export of gold and silver from England alone to the East during the years 1851 to 1855:

	<i>Export of Gold.</i>	<i>Export of Silver.</i>	<i>Total.</i>
1851,.....	£ 102,280 ..	£ 1,716,100 ..	£ 1,818,380
1852,.....	921,739 ..	2,630,238 ..	3,551,977
1853,.....	881,202 ..	4,710,665 ..	5,590,866
1854,.....	1,174,299 ..	3,132,003 ..	4,306,302
1855,.....	947,272 ..	6,409,889 ..	7,358,161
	£ 4,026,792 ..	£ 18,598,895 ..	£ 22,625,686
Dollars,.....	20,000,000 ..	90,000,000 ..	110,000,000

For the first months of 1856, the export of silver alone was £7,165,893. The fact is, China and India have absorbed annually a very large portion of the product of gold and silver—the latter especially. Two items of Chinese productions will alone account for this, the enormous exports of silk and tea to England and North America for five years having been as follows:

	<i>Tea, lbs.</i>	<i>Raw Silk, lbs.</i>
1850,.....	50,512,000 ..	1,769,000
1851,.....	71,446,000 ..	2,055,000
1852,.....	66,360,000 ..	2,118,000
1853,.....	70,735,000 ..	2,888,000
1854,.....	85,792,000 ..	4,576,000

Thus, in less than eighteen months, there had been at least eleven changes, when three or four would have been sufficient, with due regard to the predisposition to overtrading and speculation, which was strongly displayed as soon as peace was restored in 1856. Thus the bank mania throughout continental Europe was so strong in the summer of 1856, and the mania for joint-stock operations in England were such as to indicate, beyond dispute, that so sudden and violent a change must, ere long, produce a reaction; and in October, 1856, the bank suddenly raised its rates of discount one per cent.

Suspension of the Charter Act of 1844.—A cabinet council was held November 12th, 1857, at the official residence of the First Lord of the Treasury in Downing-street. The ministers present were—Viscount PALMERSTON, the Lord Chancellor, Earl GRANVILLE, the Marquis of Lansdowne, the Earl of Harrowby, Sir GEORGE GRAY, the Earl of Clarendon, the Chancellor of the Exchequer, Sir CHARLES WOOD, the Right Hon. R. VERNON SMITH, Lord STANLEY, of Alderley, the Duke of Argyll, and the Right Hon. M. T. BAINES. The following letter was addressed to the governors of the Bank of England:

Downing-street, Nov. 12, 1857.

Gentlemen,—Her majesty's government have observed with great concern the serious consequences which have ensued from the recent failure of certain joint-stock banks in England and Scotland, as well as of certain large mercantile firms, chiefly connected with the American trade.

The discredit and distrust which have resulted from these events, and the withdrawal of a large amount of the paper circulation authorized by the existing bank acts, appear to her majesty's government to render it necessary for them to inform the Bank of England that if they should be unable, in the present emergency, to meet the demands for discounts and advances upon approved securities, without exceeding the limits of their

circulation prescribed by the act of 1844, the government will be prepared to propose to Parliament upon its meeting a bill of indemnity for any excess so issued.

In order to prevent this temporary relaxation of the law being extended beyond the actual necessities of the occasion, her majesty's government are of opinion that the bank terms of discount should not be reduced below their present rate. Her majesty's government reserve for future consideration the appropriation of any profit which may arise upon issues in excess of the statutory amount.

Her majesty's government are fully impressed with the importance of maintaining the letter of the law, even in a time of considerable mercantile difficulty; but they believe that, for the removal of apprehensions which have checked the course of monetary transactions, such a measure as is now contemplated has become necessary, and they rely upon the discretion and prudence of the directors for confining its operation within the strict limits of the exigencies of the case. We have, &c.,

PALMERSTON,
G. C. LEWIS.

To the Governor and Deputy-Governor of the Bank of England.

The statement of the bank for the third week in October and November was as follows:

	<i>October.</i>		<i>Nov. 25.</i>
Government debt,.....	£ 11,015,100	....	£ 11,015,100
Government securities,.....	3,459,900	....	5,459,900
Gold coin and bullion in the Issues Department,	8,777,105	....	6,784,145
Total amount issued,....	£ 23,252,105	....	£ 23,259,145
Deduct notes on hand in Bank Department,.....	3,485,840	....	1,918,860
Total in hand of the public,..	£ 19,766,265	....	£ 21,340,285

The gold and silver coin held by the Bank Department was less than half a million, (£479,527,) to meet the following obligations:

	<i>October 20.</i>		<i>November 25.</i>
Public deposits,.....	£ 4,861,700	....	£ 5,788,998
Private deposits,.....	11,263,900	....	14,951,516
Seven day bills,.....	819,400	....	815,838
	£ 16,945,000	....	£ 21,556,352

Although the bank held a reserve of notes of £3,486,840 unemployed, yet these were totally insufficient, with the small amount of coin, (£592,000,) to meet the outward current of gold to the continent and to the east. It is true that bank notes were legal tender elsewhere, but not *by the bank* in payment of its debts.

Thus while the provisions of the act have been carefully adhered to, the bank is totally disqualified from using any portion of the £8,777,105 (held in coin and bullion) in payment of its deposits. Suspension was

therefore unavoidable in view of the exhaustion of gold for foreign objects. The chief end in view by Sir ROBERT PEEL, by the act of 1844, was to place a limit to the paper issues of the country—that the amount then outstanding should be held to be sufficient and should not be increased, and that as fast as the country banks failed or wound up, the Bank of England might fill the vacuum thus created, or to two-thirds the amount at least. So anxious was Sir ROBERT PEEL for the success of the measure, that he sought to give the utmost effect to his speech by the following peroration :

“A quarter of a century has passed away (viz., 1819–1844) since I first brought forward that great measure which for ever abolished the system according to which issues of bank notes were then conducted. To me it will, therefore, be a source of great personal gratification, if I now succeed in inducing the House to agree to a measure calculated to give additional stability to that which Parliament adopted in the year 1819, and to prevent those fluctuations so dangerous to commercial enterprise.

“When I see the danger arising from the Bank of England having recourse to foreign establishments ; when I look at the fluctuations which have taken place in our currency, defeating all the calculations on which commercial enterprise could rest, * * * my gratification will be of the highest and purest kind, if I prevail on the House to adopt a measure that will give steadiness to the character of our resources, which will inspire confidence in the circulating medium, which will diminish all inducements to fraudulent speculations and gambling, and insure its just reward to commercial enterprise, conducted with honesty, and secured by patience.”

During the debate on the act of 1844, Mr. CHARLES WOOD, now (Sir CHARLES WOOD,) said in reference to the provisions of the bill :

“I have said that the bank shall be restricted from issuing notes upon securities to any greater extent than fourteen millions. This restriction applies, however, to *ordinary circumstances*, and to the state of the affairs of the bank. *The case may occur in which it would be reasonable, and, indeed, might be necessary*, that there should be an increase of the issues of the bank upon securities, supposing the country circulation to amount to eight millions, and of this amount two millions to be withdrawn, either in consequence of the failure of banks, or in consequence of agreements with the Bank of England to issue Bank of England paper ; in that case, in order to supply the void, it may be necessary that the bank should make an increased issue. A part of this issue may fairly be made upon securities. Our proposal is, that the profit to be derived from such an issue shall be placed to the account of the government, and that no increased issue upon securities shall take place without a communication from the bank to government, and without the express sanction of three members of government, the First Lord of the Treasury, the Chancellor of the Exchequer, and the President of the Board of trade. We do not contemplate, and do not intend to provide for an increased issue upon securities in any other case than that to which I have referred, namely, the supply of a void caused by the withdrawal of some considerable portion of the existing country circulation.”

The following is a statement of the changes of the rate of interest in

the Bank of England for the year 1857, with the bullion in the bank nearest each period :

1857, April 2,.....	6½ per cent.,.....	£ 9,303,000
1857, June 18,.....	6 “	11,172,000
1857, July 16,.....	5¼ “	11,840,000
1857, Oct. 8,.....	6 “	10,109,000
1857, “ 12,.....	7 “	10,109,000
1857, “ 19,.....	8 “	9,524,000
1857, Nov. 5,.....	9 “	8,497,000
1857, “ 9,.....	10 “	7,170,000

November was the critical period of the year 1857. The *Times* of November 12, 1857, contained these announcements :

1. Bank charter suspended.
2. Interest in London, 10 per cent.
3. “ in Hamburg, 10 per cent.
4. “ in Paris, 8½ per cent.
5. “ in New-York, 25 per cent.
6. Suspension of cash payments general by all banks in the United States.
7. Two banks stopped in Glasgow, and one in Liverpool, and a great bill panic in London.
8. Commercial credit and transactions almost suspended in the country.
9. Bullion in the bank, £7,170,000.
10. Reserve notes in the bank, £975,000.
11. Bank liabilities, £40,875,000.

One gentleman, during the heat of the excitement at Glasgow, went into the Union Bank and presented a check for £500. The teller asked him if he wished gold. “Gold!” replied he, “no; give me notes, and let the fools who are frightened get the gold.” Another gentleman rushed into the same bank in a great state of excitement, with a check for £1,400. On being asked if he wished gold, he replied, “Yes.” “Well,” said the teller, “there is £1,000 in that bag, and £400 in this one.” The gentleman was so flurried by the readiness with which the demand was granted, that he lifted up the bag with the £400 only, and walked off, leaving the £1,000 on the counter. The teller, on discovering the bag, laid it aside for the time. Late in the day the gentleman returned to the bank in great distress, stating he had lost the bag with the £1,000, and could not tell whether he dropped it in the crowd or left it behind him on leaving the bank. “Oh, you left it on the counter,” said the teller, quietly, “and if you will call to-morrow you will get your £1,000.”

The Bank of England, the great monetary institution which so strongly affects the financial destinies of the old and new country, in this crisis gave an additional shock to the Atlantic trade by raising rapidly its rate of discount—by impeding the remittance of specie to the United States for the resumption of specie payments there; and, at a period when the rates of discount were enormously enhanced, by treating with suspicion the paper of all American houses—thus virtually depriving them of discount altogether. Thus, solvent houses and insolvent houses of all

kinds were brought down: for, though it has been said that no solvent house could want accommodation, yet, inasmuch as so many houses were endangered by the mistrust and suspicion of the regulators of the discount market, houses having good bills, but with the names of suspected firms upon them, were left with inconvertible paper. A bill with three names was reduced to two names, or one name, and placed out of line. Next, the joint-stock banks were disabled from re-discounting, and a name lost thereby; so that day by day the proportion of first-class bills was reduced, and no man having good bills in his hand could tell—if he kept them for a month, a fortnight, a week, or even a day—but that they might become discredited, thus depriving all of resource therefrom. Therefore he rushed to the Bank of England to obtain accommodation while he could; and, with a diminished trade, we saw the phenomenon of an increased amount of discount. Those who had produce strove to realize and obtain resources; thus prices and produce were depressed, and, as the usual course of credit was disturbed, further damage was caused. Alarm was spread among the small tradesmen and the working classes of Scotland and Ireland; notes were forced in for gold, deposits left in confidence were summarily withdrawn, and the banks, unable instantly to realize their resources, or to discount the paper on hand, had, in several cases, to succumb to the sudden pressure.*

In such a crisis rotten houses stopped, because rotten houses must stop, and it is besides expedient to cover a disgrace by the appearance of yielding to a general misfortune; but solvent houses suspended, some of which have since resumed, and others will pay twenty shillings in the pound. The liabilities of the British houses and banks which have failed during the crisis are estimated at £50,000,000.

The panic spread to the continent, not only through the customary channels of trade, but because the Germans of late years have acquired a very close connection with the States by the intercourse of half a million of emigrants, while in the trade of England itself the Germans have now a very great share. The desire of freedom has made many of the most active men of Germany citizens or denizens of England and the United States, while those at home look with interest and longing to these emigrant kinsmen. Thus, Germany has in this crisis suffered even more than France and Hamburg; Bremen and every commercial city of Germany have been stricken with disaster.*

The year 1857 was noted for the failure of the Royal British Bank. The directors were tried and convicted of fraud, in publishing fictitious balance-sheets. Lord CAMBELL, in haranguing the three defendants, BROWN, ESDAILE and CAMERON, directors, said: "It would be disgraceful to the law of this country if this were not a crime to be punished. It is not a mere breach of contract with the shareholders, or with those who deal with the bank, but it is a criminal conspiracy to do that which inevitably leads to great public mischief, to the ruin of families, and reducing the widow and the orphan from affluence to destitution." Many persons will think that a sentence of one year's imprisonment, among the most favored class of prisoners, upon men who had been found guilty of

* *Westminster Review*, Jan., 1858.

so heinous an offence as this, with not one circumstance of mitigation which could be pleaded in their favor, was a particularly light one. We have no objection to a distinction in the punishments awarded, and, as the jury had recommended OWEN, STAPLETON, KENNEDY and MACLEOD to the merciful consideration of the court, it was right that their recommendation should be taken into account; but Lord CAMPBELL had left himself no lesser punishment to award which was at all adequate to their guilt, and their sentence was accordingly almost nominal. We fear that this manner of dealing with such misdemeanants will disarm future proceedings of all their terror, and render this prolonged trial barren of result to the community.*

In London no bank failed. In Liverpool, the Borough Bank, in Glasgow, the Western Bank of Scotland, in Newcastle, the Northumberland and Durham District Bank, failed in the months of October and November last. The City of Glasgow and Wolverhampton banks suspended payment, but have since resumed. The House of Commons committee examined Mr. JOSHUA DIXON, who, in August, 1857, first assumed the post of managing director of the Borough Bank; Mr. FLEMING, who was, after July, 1857, assistant-manager, manager or liquidator of the Western Bank of Scotland; and Mr. KIRKMAN HODGSON, a member of the House, and director of the Bank of England, who, being well acquainted with the trade of Newcastle, went there in November, 1857, to inquire how far the Northumberland Bank might be safely aided.†

The Western Bank of Scotland was founded in 1832. In 1834 it was already in difficulties, and their correspondents in London dishonored their bills. They applied to the other banks for assistance, and received it, under certain conditions. In the year 1838 they applied to the Board of Trade for letters patent, which were refused. At this time the Bank of Scotland and other banks addressed a memorial to Mr. POULER THOMPSON, alleging the breach of the conditions referred to. In 1847 the Western Bank was again in difficulties, and was assisted by the Bank of England, receiving an advance of £300,000. The then manager, Mr. DONALD SMITH, appears to have taken alarm from the occurrences of 1847; and in 1852, when he retired, the bank, though not in a satisfactory position, stood better than it had stood before since 1847. When it failed, on 9th of November, 1857, it appeared that the four insolvent houses of MACDONALD, MONTEITH, WALLACE and PATTISON were indebted to it in the sum of £1,603,000; the whole capital of the bank being only £1,500,000. One of the conditions of the co-partnership was, "That if it shall at any time appear, on balancing the company's books, that a sum equal to £25 per centum on the advanced capital stock of the company has been lost in prosecution of the business of the company, such loss shall, *ipso facto*, and without the necessity of any further procedure, dissolve and put an end to the company.†

The panic of 1857 raged the most severely in Hamburg, where, although the basis was the soundest, it was yet the narrowest. In France, where the basis was the widest, the panic was the least severe. In Great

* *London Times*, March, 1858.

† *Parliamentary Committee's Report*, 1858-1859.

Britain, although the basis was sound, yet the panic was severe by the basis having been artificially narrowed by the act of 1844. In Hamburg, France and Great Britain the bases were all sound, but in the United States the basis was unsound, because the specie in proportion to the notes was inadequate to insure their convertibility. The effect of the panic of 1857 on these banks was, that the banks of the United States and of Hamburg stopped payment; that the Bank of England would have stopped, had not the act of 1844 been suspended, permitting the extension of the money basis; but that the Bank of France did not stop payment, having no restriction on its issues beyond the liability to convertibility.*

A new committee on the Bank of England charter had under consideration, in 1857, the terms for the proposed extension. The committee was composed of twenty-five members, comprising the chancellor of the exchequer and four ex-chancellors, namely, Mr. DISRAELI, Sir FRANCIS BARING, Sir C. WOOD and Mr. GLADSTONE; also, Sir J. GRAHAM; Mr. SPOONER, banker, of Birmingham; Mr. G. A. HAMILTON, the financial secretary to the treasury under Lord DERBY's government, and chairman of the recently dissolved London and Paris Bank; Mr. GLYN, London banker; Mr. WILSON, the financial secretary to the treasury; Mr. CAYLEY, a director of the Commercial Bank; Mr. VANCE, a Dublin merchant; Mr. WEGUELIN, the late governor of the Bank of England; Mr. HILDYARD, Q. C.; Mr. HANKEY, a director, and who was formerly governor of the Bank of England; Mr. BLACKBURN, chairman of the Edinburgh and Glasgow Railway; Mr. M. T. SMITH, London banker; Mr. FERGUS, a Scotch manufacturer; Mr. HOPE JOHNSTONE; Mr. J. L. RICARDO, a director of the London and Westminster Bank; Mr. ENNIS, the governor of the Bank of Ireland; Mr. TITE, the chairman of the Bank of Egypt, and a director of the London and Westminster Bank; Mr. FULLER, Mr. BALL and the Earl of Gifford, formerly private secretary to Lord PANMURE.

* Letter from HAMER STANSFELD, of Otley, England: see *Bankers' Magazine*, New-York, January, 1860.

CHAPTER VIII.

YEARS 1858, 1859, 1860.

THE BANK ACT OF 1844—FAILURES OF 1857—LOANS TO BILL-BROKERS—FORCED ISSUE OF £2,000,000 BANK NOTES—BANK FAILURES IN SCOTLAND—CRISIS IN IRELAND—CRISIS IN LIVERPOOL—CONTINENTAL BANKS—PRICE OF GOLD—OPINIONS OF LORD OVERSTONE—YEARLY AVERAGE OF NOTES, 1844—1858—EVIDENCE OF BANK DIRECTORS—FAILURES OF COMMERCIAL HOUSES—JOINT-STOCK BANKS—FLUCTUATIONS IN PRICES—CONTINENTAL BANKING—DEATH OF MR. TOOKE.

THE YEAR 1858.

A REPORT from the select committee of the House of Commons, appointed to inquire into the operations of the bank acts of 1844, and of the bank acts for Ireland and Scotland of 1845, and into the causes of the recent commercial distress, and to investigate how far it has been affected by the laws for regulating the issue of bank notes payable on demand, was made in 1858. The committee was appointed on the 11th December, 1857, and on the 8th February, 1858, the following members were appointed, viz.: The chancellor of the exchequer, Mr. DISRAELI, Sir JAMES GRAHAM, Sir CHARLES WOOD, Sir FRANCIS BARING, the Earl of Gifford, and Messrs. SPOONER, GEORGE A. HAMILTON, GLADSTONE, CAYLEY, VANCE, CARDWELL, BLACKBURN, WILSON, WEGUELIN, HANKEY, HOPE JOHNSTONE, ENNIS, FULLER, FERGUS, JOHN L. RICARDO, M. TUCKER SMITH, GLYN, BALL, TITE.

The following witnesses were examined: Messrs. SHEFFIELD NEAVE and BONAMY DOBREE, governor and deputy-governor of the Bank of England; THOMAS MATTHIAS WEGUELIN, M. P.; Alderman DAVID SALOMANS, director of the London and Westminster Bank; WILLIAM RODWELL, banker at Ipswich; JOHN BALL, accountant; JAMES EDWARD COLEMAN, accountant; JAMES HOLGATE FOSTER, merchant; ROBERT SLATER, merchant; SAMPSON SAMUEL LLOYD, banker, Birmingham; PHILIP HENRY MUNTZ, merchant, Birmingham; Right Hon. Sir GEORGE CLERK, Bart., deputy-governor of the Bank of Scotland; LAURENCE ROBERTSON, cashier of the Royal Bank in Edinburgh; KIRKMAN DANIEL HODGSON, director of the Bank of England; CHARLES HALLIDAY, governor of the Bank of Ireland, and JOHN BARLOW, director of the same; JOSHUA DIXON, managing director of the Borough Bank of Liverpool; JAMES ROBERTSON, manager of the Union Bank of Glasgow; JOHN TORR, merchant, Liverpool; JOHN ENNIS, late governor of the Bank of Ireland; JAMES BRISTOW, director of the Northern Banking Company, Belfast; JAMES SIMPSON FLEMING, one of the liquidators of the Western Bank of Scotland; JOHN SMITH, banker; WILLIAM DIGGES LATOUCHE, private banker, of Dublin.

The committee, on the 1st July, 1858, reported as follows:*

“The ten years which have elapsed since the last committee sat under the same order of reference, viz., the Committee on Commercial Distress, which reported in 1848, have been marked by many circumstances of peculiar interest and importance. The foreign trade of the United Kingdom has in that period increased with a development unprecedented, perhaps, by any other instance in the history of the world. The exports which, before 1848, had never exceeded £60,110,000—the amount which they attained in 1845—have risen, with very little variation, and with great rapidity; and in 1857, notwithstanding the severe commercial pressure which marked the latter portion of that year, they stood at £122,150,005. In the year 1849 the newly-discovered mines of California began to add perceptibly to the arrivals of gold; and in 1853 the supply was increased by the still more fertile discoveries in Australia. In the seven years there has been an increase in the European stock of bullion of £80,700,000. * * * * *

“Your committee will now state to the House the general outline of commercial disasters, as it occurred in the United Kingdom. The first occurrence in this country which caused alarm was the failure of the house of MACDONALD & Co., of Glasgow and London, which took place in October, and was accompanied by the failures of MONTEITH & Co. and WALLACE & Co., of Glasgow. The house of MACDONALD employed a great many workpeople in sewing muslin goods for the home trade and for the American market, and this they carried on to a very large extent. They had been in fair credit till very nearly the time of their failure, but shortly before that period they are described as having given out that they had changed their mode of doing business for the purpose of embracing a wider field. This, however, is represented to have been a deception, intended to cover a system to which they had recourse, of drawing fictitious bills, and to give to these bills the appearance of genuine business transactions. From the records of the public tribunals, it appears that a very considerable number of persons (one of the partners is said to have admitted as many as seventy-five) in London and other places, were employed by this firm, for a small commission, to put their names to fictitious bills, which were then discounted, a large proportion of them in Glasgow; and when the house of MACDONALD failed, it was found to be indebted to the Western Bank £422,000. The house of MONTEITH & Co. was indebted to the same bank £537,000; that of WALLACE & Co., £227,000.” * * * * *

Yearly Average of Notes.—It has been observed before, that while, on the one hand, the great increase of retail transactions has caused an increased demand for the smaller notes, concurrently with the increased demand for gold, yet, on the other hand, so great has been the effect of increasing facilities in banking, that a saving of a corresponding amount has been effected in the larger notes. The proportions are those represented in the following table: †

* For the report in full, thirty-eight pages, see *Bankers' Magazine*, December, 1859.

† *House of Commons Report*, July, 1858.

YEARLY AVERAGE OF NOTES WITH THE PUBLIC.

YEAR.	Notes of £5 and £10. £ m.	Per cent. of total circulation.	Notes of £20 to £100. £ m.	Per cent. of total circulation.	Notes of £200 to £1,000. £ m.	Per cent. of total circulation.	Total. £ m.
1844, ..	9,263	.. 45.7	.. 5,735	.. 28.3	.. 5,253	.. 26.	.. 20,241
1845, ..	9,698	.. 46.9	.. 6,082	.. 29.3	.. 4,942	.. 23.8	.. 20,722
1846, ..	9,918	.. 48.9	.. 5,778	.. 28.5	.. 4,590	.. 22.6	.. 20,286
1847, ..	9,591	.. 50.1	.. 5,498	.. 28.7	.. 4,066	.. 21.2	.. 19,155
1848, ..	8,732	.. 48.3	.. 5,046	.. 27.9	.. 4,307	.. 23.8	.. 18,085
1849, ..	8,692	.. 47.2	.. 5,234	.. 28.5	.. 4,477	.. 24.3	.. 18,403
1850, ..	9,164	.. 47.2	.. 5,587	.. 28.8	.. 4,646	.. 24.	.. 19,398
1851, ..	9,362	.. 48.1	.. 5,554	.. 28.5	.. 4,557	.. 23.4	.. 19,473
1852, ..	9,839	.. 45.	.. 6,161	.. 28.2	.. 5,856	.. 26.8	.. 21,856
1853, ..	10,699	.. 47.3	.. 6,393	.. 28.2	.. 5,541	.. 24.5	.. 22,653
1854, ..	10,565	.. 51.	.. 5,910	.. 28.5	.. 4,234	.. 20.5	.. 20,709
1855, ..	10,628	.. 53.6	.. 5,706	.. 28.9	.. 3,459	.. 17.5	.. 19,793
1856, ..	10,680	.. 54.4	.. 5,645	.. 28.7	.. 3,323	.. 16.9	.. 19,648
1857, ..	10,569	.. 54.7	.. 5,567	.. 28.6	.. 3,241	.. 16.7	.. 19,647

Failures in Scotland.—The causes which, in the judgment of the bank directors, immediately led to the failures, were detailed by them in their correspondence with the treasury. The treasury letter was the subject of discussion in the House, and an act of indemnity having passed, the committee do not feel called upon to say more than that the evidence appears to them to show that the discretion of the government was properly exercised.

Over-Issue of £2,000,000.—On the 12th November, the discounts at the bank exceeded two millions. The following figures sufficiently exhibit the result of the foregoing operations, viz.:

	Bullion.	Reservè.	Discounts and Advances.
10,	£7,411,000	.... £2,420,000	.... £14,803,000
11,	6,666,000	.... 1,462,000	.... 15,947,000
12,	6,524,000	.... 581,000	.... 18,044,000

The government letter was issued on the 12th. Whatever effect this letter may have had in other ways in calming the public mind, and so tending to mitigate the severity of the pressure, it did not immediately diminish the demand for discounts and advances. This continued to increase until 21st November, on which day the bank had advanced in discounts, £21,600,000, a sum exceeding the whole amount of their deposits, both public and private; a sum nearly threefold the amount of their advances in July, when the rate was reduced to five and a half per cent., and more than double what they had advanced on the 27th October, when the first bank failed. Half of these loans were made to the bill-brokers, and were partly made upon securities which, under other circumstances, the bank would have been unwilling to accept. They were made for the purpose of sustaining commercial credit in a period of extreme pressure. The letter was issued on the 12th November; but whilst in 1847 it was not found necessary for the bank directors to avail themselves of the permission so given them to exceed the limits imposed by law, that necessity in this instance actually arose. An issue to the extent of £2,000,000 beyond the legal issue was made to the banking

department. The following account shows the sums actually issued from the bank to the public in November :

NOTES ISSUED TO THE PUBLIC ON SECURITIES, BEYOND THE STATUTORY
LIMIT OF £14,475,000.

November 13,.....	£ 186,000	November 23,.....	£ 397,000
“ 14-15,.....	622,000	“ 24,.....	317,000
“ 16,.....	860,000	“ 25,.....	81,000
“ 17,.....	836,000	“ 26,.....	243,000
“ 18,.....	852,000	“ 27,.....	342,000
“ 19,.....	896,000	“ 28-29,.....	184,000
“ 20,.....	928,000	“ 30,.....	15,000
“ 21-22,.....	617,000	Average of 18 days,.....	488,830

As regards the alteration of the rate of interest by the bank in the latter part of the year 1857, it is stated in the report of the bank committee, that on the 16th of July, the rate was reduced from six to five and a half per cent. This continued to be the minimum rate of discount at the bank until the 8th of October, when it was raised again to six per cent. Four days later, on the 12th of October, the rate was raised to seven per cent. In seven days, on the 19th of October, the rate was fixed at eight per cent., and it was afterwards raised to nine per cent. on the 5th of November, and to ten per cent. on the 9th of November. Thus, in the course of only one month, between the 8th of October and the 9th of November, the rate was advanced from five and a half to ten per cent.*

The government letter, authorizing an extension of the circulation, was issued on the 12th November. An issue of notes to the extent of two millions beyond the legal issue was made to the banking department of the Bank of England, but not more than £928,900 of notes were issued to the public beyond the statutory limit. That additional amount was reached on the 20th November, after which date the excess rapidly declined until the end of the month, when it was discontinued. The legal circulation was only exceeded for a period of eighteen days.*

Lord OVERSTONE.—The advocates of the theory, as it is called, of the act of 1844, are far from contending that their theory is completely carried into effect by the provisions of the act. The origin of that legislation is thus referred to by *Lord OVERSTONE* :

“I had no connection, political or social, with Sir ROBERT PEEL. I never exchanged one word upon the subject of this act with Sir ROBERT PEEL, in my life, neither directly nor indirectly. I knew nothing whatever of the provisions of this act until they were laid before the public ; and I am happy to state that, because I believe that what little weight may attach to my unbiassed conviction of the high merits of this act, and the service which it has rendered to the public, may be diminished by the impression that I have something of personal vanity in this matter. I have no feeling whatever of the kind. The act is entirely, so far as I know, the act of Sir ROBERT PEEL, and the immortal gratitude of this country is due to him for the service rendered to it by the passing of

* Review of the bank, by RICHARD VALPY, read before the British Association for the Advancement of Science, September, 1858. See *Bankers' Magazine*, New-York, May, 1860.

that act. He has never been properly appreciated; but year by year the character of that man upon this subject will be appreciated. By the act of 1819, Sir ROBERT PEELE placed the monetary system of this country upon an honest foundation, and he was exposed to great obloquy for having so done. By the act of 1844 he has obtained ample and efficient security that that honest foundation of our monetary system shall be effectually and permanently maintained; and no inscription can be written upon his statue so honorable as that he restored our money to its just value in 1819, and secured for us the means of maintaining that just value in 1844. Honor be to his name.*

The extraordinary rise in prices in London markets between 1851 and 1857, and the consequent speculation connected therewith, will be indicated by the following comparative table. In the United States the prices of market produce, labor, and materials requiring labor for their production, have all increased from thirty to fifty, and in some instances to one hundred per cent. :

	Jan., 1851.		Jan., 1854.		Feb., 1857.
Coffee,	53 @ 58s.	..	53 @ 60s.	..	58 @ 67
Sugar,	26 @ 28s.	..	21 @ 65s.	..	36 @ 40
Rum, Jamaica,	26 @ 32d.	..	42 @ 46d.	..	44 @ 46
Tobacco,	4½ @ 10d.	..	2½ @ 8d.	..	8 @ 11
Butter,	78 @ 80s.	..	104 @ ..	..	112 @ ..
Beef, (8 lbs.,)	28 @ 30	..	42 @ 46	..	40 @ 46
Do. prime,	32 @ 36	..	48 @ 50	..	48 @ 50
Mutton,	34 @ 42	..	48 @ 54	..	48 @ 52
Do. prime,	44 @ 46	..	50 @ 52	..	54 @ 58
Pork,	30 @ 42	..	42 @ 44	..	44 @ 52
Silk, raw, lbs.,	9 @ 17s.	..	12½ @ 16½	..	16 @ 25
Flax, tons,	38 @ 46	..	35 @ 52	..	52 @ ..
Wool, (240 lbs.,)	£14 @ ..	..	15½ @ 16	..	37 @ ..
Logwood,	70 @ 80s.	..	110 @ ..	..	110 @ ..
Seal oil,	£37 @ ..	..	43 @ ..	..	50 @ ..
Olive oil,	43 @ ..	..	63 @ ..	..	61 @ ..
Palm oil,	29 @ ..	..	43 @ ..	..	47 @ ..
Tallow,	36½ @ ..	..	60 @ ..	..	62 @ ..
Leather, lbs.,	12 @ 23d.	..	15 @ 10	..	24 @ 31
Saltpetre, cwt.,	27½ @ 29½s.	..	27 @ 31	..	37 @ 46
Ashes, pearl,	30½ @ 31	..	29 @ ..	..	45 @ ..
Copper,	£84 @ ..	..	126 @ ..	..	135 @ ..
Iron, tons,	5½ @ 6	..	9½ @ ..	..	9 @ ..
Do. Swedish,	11½ @ ..	..	12½ @ ..	..	15 @ ..
Lead, tons,	17½ @ ..	..	23½ @ ..	..	23 @ ..
Steel, Swedish,	15 @ ..	..	17½ @ ..	..	20 @ ..
Tin, tons,	84 @ ..	..	126 @ ..	..	143 @ ..

These facts are important, as demonstrating the progressive advance of prices according to the increased bulk of the precious metals. The same result occurred in the century following the discovery of gold in America, (1500-1600,) although the increased production was far less than it is now. Rents, wages, family supplies, labor generally—all advanced from fifty to one hundred per cent. It is true that the present accumulation of precious metals is diffused among a much larger population and over a more extended region of country than in the sixteenth or seventeenth centuries—but similar causes will produce similar results, and labor will

* House of Commons Report, July, 1858.

secure for itself a remuneration commensurate with the increased expenses of living.

Continental Banking.—It will be instructive now to turn to the north of Europe to survey the condition of countries where, as in Hamburg, the currency is exclusively metallic, and to compare the state of things there with that which existed here under the laws which regulate the currency in this kingdom. In Hamburg, on the 23d November, 1857, commercial confidence is stated to have been entirely at an end; so that only the bills of three or four of the first houses were negotiable, at the highest rate of discount. In the first instance, some of the leading houses and the banks originated a plan for relief, viz., the subscription of about £1,000,000, and the appointment of a committee to give, by endorsement, the credit of this fund to the current bills. At first it seemed that confidence was much restored, but in two days this hope vanished; and on the 25th the aspect of affairs was again very gloomy. On the 27th, a meeting of the *Bürgerschaft* was held, and a new arrangement was proposed by the Senate for the issue of government bonds on the deposit of goods, funds and shares, to the amount of £1,125,000. On the following day the feeling of the exchange was better, in consequence of this government measure, and of the arrival of considerable quantities of silver. Yet, on the 1st of December, our consul writes: "The embarrassments of the mercantile community here still continue undiminished." And on the 3d, "There is no deficiency of silver in the Hamburg Bank; indeed, the amount in the cellars of the bank is now much larger than it has been at any former period, but a total want of confidence prevents its holders from parting with it." The government bonds could not be discounted. A loan was ultimately obtained from Vienna; but even the arrival of the amount in specie failed to produce the desired effect, until the Senate reluctantly proposed that it should be entrusted to a secret committee, to be by them lent out on good security. On December 12, so soon as it was known that by the aid of the government the leading houses would fulfil their engagements, the panic ceased. Money at once became abundant, and in about a fortnight the rate of discount for the best bills fell to two and three per cent.*

Prices.—A considerable amount of the loss sustained through the failures in 1857 has arisen through the fall in price of merchandise. Some notion may be formed of the loss experienced in consequence of the panic, from the following prices of raw silk in July, 1857, and January, 1858: Bengal silk, in July, 1857, was quoted 15s. to 33s. 6d.; in January, 1858, 11s. to 24s.; fall, 28 per cent. China silk, July, 1857, 10s. to 29s.; January, 1858, 6s. to 7s.; fall, 66 $\frac{2}{3}$ per cent. Brutia silk, July, 1857, 38s. to 42s. 6d.; January, 1858, 10s. 6d. to 32s.; fall, 46 per cent. Tallow fell from 60s. to 50s. Sugar, from 55s. to 35s. per cwt. Cotton, from 7d. to 6d. per lb. Tin, from 135s. to 122s. per cwt. Tea, Congou, from 1s. 3d. to 1s. per lb. Taken generally, the loss occasioned by the panic on the prices of commodities could not be less than 20 to 30 per cent. The alteration of value in Mr. MUNTZ's stock alone was more than £40,000. In Liverpool, the decline was not less

* *House of Commons Report*, July, 1858.

than 30 per cent. The following are the prices of the principal articles before and during the panics in 1847-'48 and 1857-'58 :*

	1st Aug., 1847.	1st Jan., 1848.	Decline.		1st Aug., 1857.	1st Jan., 1858.	Decline.
Cotton, Mid. Orleans,	7d.	4½d.	2½d.	..	8½d.	6½d.	1½d. lb.
Wool, Australian,	1s. 3d. to 2s. 3d.	1s. to 2s.	3d.	..	2s. to 2s. 7d.	1s. 9d. to 2s.	5d. "
Silk, China,	13s. to 19s.	10s. to 16s.	3s.	..	23s. to 29s.	15s. to 19s.	9s. "
Jute, E. I.,	£20	£14	£6	..	£24	£15	£9 ton.
Sugar, E. I. & Mauritius, .	40s. to 52s.	34s. to 48s.	5s.	..	52s. to 62s.	35s. to 50s.	5s. cwt.
Coffee, Native, Ceylon, . . .	39s.	34s.	5s.	..	64s.	50s.	14s. "
Tea, common Congou,	9d.	7½d.	1½d.	..	1s. 2d.	1s. 1d.	1d. lb.
Rice, Mid. Bengal,	15s.	12s.	3s.	..	11s.	9s.	2s. cwt.
Indigo, Mid. Bengal,	4s. 3d.	3s. 9d.	6d.	..	8s.	7s.	1s. lb.
Saltpetre, E. I.,	28s.	27s.	1s.	..	43s.	35s.	8s. cwt.
Palm oil,	£34 10s.	£27 10s.	£7	..	£45	£37	£8 ton.
Olive oil,	£46	£43	£3	..	£53	£48	£10 "
Tallow, Y. C.,	49s.	47s.	2s.	..	61s. 6d.	52s. 6d.	9s. cwt.
Timber, . . . . .	..	..	..	..	..	..	20s.

The late THOMAS TOOKE.—Mr. TOOKE, the venerable author of the *History of Prices*, and, in many respects, for a long period the chief of living economists, died at his residence, 31 Spring Gardens, early on the morning of Friday, the 26th February, 1858. Mr. TOOKE's age was within a few days of the completion of his 85th year; but it was not until within a few months that he manifested very sensibly the decay of powers to be naturally expected at so advanced a period of life. The death of his second son, Mr. THOMAS TOOKE, junior, (one of the directors of the Bank of England,) after a very short illness, at the close of December, 1857, may be regarded as the more immediate cause of the sad event. The suddenness and weight of the shock occasioned by so severe a bereavement as the loss of his son, exhausted a strength already impaired and failing, and for two months Mr. TOOKE had been gradually sinking. But there had been no interval, even up to the latest moment, during which the clearness and serenity of mind for which Mr. TOOKE was so remarkable, was interrupted. For a long period, in the early part of his life, Mr. TOOKE was the leading partner in one of the largest houses engaged in the Russian trade. The work which preceded the *History of Prices* was entitled *Thoughts and Details on High and Low Prices*, and appeared in 1823. A second edition was published in the following year. The first two volumes of the *History of Prices*—the work upon which Mr. TOOKE's fame principally rests—appeared in 1838; two further volumes appeared in 1840 and 1847, and it was only in the spring of 1858 that the fifth and sixth volumes, embracing the important period from 1848 to 1857, and extending, in many respects, the scope of the earlier volumes, were published. In these two closing volumes, as is well known, Mr. TOOKE relied to a great extent upon his coadjutor and friend and pupil, Mr. NEWMARCH, a coadjutor who may be justly said to be in some important degree the representative of the school of which Mr. TOOKE was the founder. But the active sphere filled by Mr. TOOKE was of scarcely less interest than his pursuits as a philosopher. He was governor

* *House of Commons Report*, July, 1858.

by re-election for several successive terms of the Royal Exchange Corporation; he was elected chairman, under similar circumstances of repeated choice, of the St. Katharine's Dock Company; and he was one of the earliest promoters of the London and Birmingham Railway. He contributed largely to the establishment of the Statistical Society, and to the latest period of his life he never lost an opportunity of forwarding the objects of that association. He was a factory commissioner in the early days of the great and difficult controversy out of which that commission arose, and he was the chairman of the subsequent commission relative to the employment of children. Among the last honors he received was the distinction of being elected a corresponding member of the French Academy. It is well known that Mr. TOOKE was the author of the merchants' petition of 1820 in favor of free trade, and that, in point of fact, the free trade movement then commenced was in a large measure originated by him. The petition itself is a noble document, and every principle it sets forth has been since made the groundwork of legislation. So long as patience and intrepidity in the pursuit of truth, and the promotion, by his own active example, of every useful work can constitute a claim to gratitude and respect, so long will the name of THOMAS TOOKE fill a distinguished place in the history of the time in which he lived.*

THE YEAR 1859.

In December, 1858, Mr. THOMSON HANKEY, M. P. for Peterborough, and former governor of the bank in 1851 and 1852, delivered an address before his constituents, in which he said:

"The whole revenue of the government arising from its daily receipts of customs, excise, post-office, taxes, stamps, &c., no matter whether received in London, Cornwall, the Hebrides, or Galway, finds its way almost immediately into the Bank of England, and is thereby rendered instantly available for the daily demands on the State. In all these transmissions scarcely a sovereign is used; the whole is effected by purely banking arrangements. The collector of government may require to transmit £50,000 from Liverpool to London; but some private individual on the same day wants to remit £50,000 from London to Liverpool, through the Bank of England, or through some other bank; both transactions are carried out by the mere entry in books, and the advice or instructions sent by the post.

"The revenue is paid into the Bank of England at the rate of about £1,000,000 a week, that is, in ordinary times; a considerable portion of this is allowed to accumulate to provide means on each quarter-day for the payment of the dividends on the government debt. Suddenly on those days five or six millions sterling is paid away by the bank to the public; but the difference, as to the abundance or scarcity of money just before or just after the payment of this large sum is scarcely appreciable, so nicely do the ordinary operations of banking accommodate and render easy all these large transfers of money. And for all this business the bank receives no other remuneration but the use of the government bal-

* *London Economist*, March, 1858.

ances, which vary from 'nil,' the day after the payment of the dividend, until they accumulate to the amount required for payment of dividends; and if then there is not sufficient, the bank is expected to advance the difference, which is repaid out of the next accruing revenue."

Mysterious Forgery.—A letter dated Brussels, October, 1859, says: The following curious circumstance has occurred here within the last three days:—About three years past a respectable individual arrived at one of the principal hotels at the lower part of the town from the railway station, ordered a room, and deposited in it a leather hat-box, saying he would return with the rest of his baggage in the course of the evening. He did not, however, make his appearance, nor has any thing more been heard of him, nor any claim been made since that period for the box, carefully kept in store by the hotel-keeper. The latter hearing, however, of the Waterloo Bridge murder, and suspecting that some mystery might also be attached to the box, decided upon having it opened in the presence of a witness, on Tuesday, when, to his infinite surprise, he found that it contained sundry packages of English bank notes of divers value, from £5 to £100, to the total amount of £120,000, all made up in parcels addressed to individuals at Marseilles, Frankfort, and elsewhere, and prepared apparently for transmission by post. Upon seeing this, the hotel-keeper took some of the notes to a money-changer in the Rue des Fripiers, who, upon close inspection, declared them to be forgeries admirably executed, especially those for £5, £10 and £20. The money-changer lost no time, consequently, in persuading the hotel-keeper to deposit the box, with all its contents, at his office, in presence of police agents, and forthwith communicated the discovery and his proceedings to the Bank of England and to her majesty's resident vice-consul. It is evident that the whole of these forged notes were intended to have been dispatched by post to their different destinations, so that the notes might be put in circulation simultaneously and at places far distant one from the other. The plan and the notes were abandoned from causes unknown; it was supposed that the addresses on the packets would probably afford a clue to the discovery of accomplices, although the period of those wholesale forgeries dates so far back.

The Bank of England Note.—In the new Bank of England note, a new Britannia, beautifully devised and finely engraved, is used in the place of the former vignette, and the writing on the new note is rendered, "I promise to pay the bearer on demand," instead of "I promise to pay to MATTHEW MARSHALL or bearer," as heretofore. Mr. SMEE, the electrician, has proposed to the bank a system whereby surface printing from electrotype should be substituted for the plate printing, and that, with the aid of other eminent artisans, they had succeeded in bringing typography into successful operation for all the numerous forms of notes and checks required. For this purpose, the Britannia was cut in steel, and the letters produced in the best possible state of excellence attainable by the highest scientific skill.

The originals are never employed for printing, but are simply used as mould-makers, from which electro-casts are taken, by the use of the ordinary SMEE's battery and precipitating trough. The bank notes by this system are printed at a steam-press, and no less than three thousand notes

are printed per hour. Mr. SMEE has demonstrated that the system pursued by the bank was so perfect, that no forged note had ever escaped eventual detection. By the new system, the most perfect identity will be insured, and the public have only to pay attention to the quality of the paper and the character of the design to protect themselves. Mr. SMEE states that great importance is attached to identity; but further, he considers that the matter of inimitability should be classed with the fanciful dreams of the philosopher's stone and the elixir of life of a by-gone age—the same mechanical means of production being substantially accessible to all.

On the 15th of September, 1859, the proprietors of the Bank of England held a meeting to declare a dividend. The net profits for the half year, ending the 31st August, were stated at £368,189, making the amount of the "rest," at that date, £3,689,019. After payment of a dividend of £4 10s. per cent. for the half year, free of income tax, the "rest" will remain at £3,034,134. A dividend at that rate was accordingly declared.

The following were the comparative returns of circulation of the Bank of England, September, 1849, 1857, 1859, with the deposits, coin, price of consols, and rates of exchange:

	Sept. 15, 1849.	Sept. 15, 1857.	Sept. 15, 1859.
Circulation,.....	£ 18,701,000 ..	£ 19,656,000 ..	£ 21,919,000
Public deposits,.....	7,729,000 ..	6,658,000 ..	8,508,000
Other deposits,.....	9,035,000 ..	9,180,000 ..	13,074,000
Government securities,.....	14,334,000 ..	10,593,000 ..	11,220,000
Other securities,.....	10,403,000 ..	18,664,000 ..	18,957,000
Resources of notes and coin,.....	11,195,000 ..	6,820,000 ..	10,535,000
Coin and bullion,.....	14,860,000 ..	11,218,000 ..	17,120,000
Bank rate of discount,.....	3 per ct. ..	5½ per ct. ..	2½ per ct.
Price of consols,.....	92½ ..	90½ ..	95½
Average price of wheat,.....	43s. 0d. ..	55s. 8d. ..	42s. 9d.
Exchange on Paris, (short,).....	25.45 @ 25.50 ..	25.17½ @ 25 ..	25.12½
“ on Amsterdam, (short,)..	12.2 @ 12.2½ ..	11.15 @ 15½ ..	11.14½ @ 15
“ on Hamburg, (3 mos.,)..	13.13½ ..	13.7¼ @ 13.8 ..	13.5½ @ 13

The Bank and the Discount Houses.—After the panic of 1857, the Bank of England, with a view to guard itself against unlimited claims for assistance, pressed in times of difficulty by the discount houses, declined to extend to them the discount accommodation, up to that time a branch of the bank's business. It closed the discount account. A pamphlet was then published, suggesting a relaxation of this stringent rule. It was urged, that recent events, and the modified pressure of January in this year and in April of 1858, have proved the unsoundness of the restriction. It was admitted, "that no bank, as at present constituted, can possibly be expected to promise an unlimited amount of aid to any one," and it was suggested that the bank should "convert them into regular customers, by fixing a minimum and maximum account, to be always kept open, at a certain rate of interest, with the plain understanding, that they are not at any time to expect accommodation beyond the prescribed limits as a right, and that if they have occasion at any time to apply for a further temporary advance, the granting of such additional supply must depend entirely upon whether it is quite convenient for the bank to do so."

We are not convinced by this reasoning of the propriety or necessity

of resorting to the panic-creating system, superseded in 1857. It really amounts to this: that the discount houses desire to be placed in the same position as the Bank of England in a crisis, viz., a right of appeal, with the certainty of success, to a power greater than their own, to guarantee them against the consequences of their own arts. How speculations would grow, how transactions, now shunned as too speculative, would be courted, if the discount houses were only assured that their own money need not go first. It suggests to us to advise the discounters to read Major DOWNING's letters, and particularly one, in which the churn is introduced to illustrate the currency difficulty of the house. "Well, Major," says the General, "he is a plaguy curious critter, arter all; he'll make wheels turn sometimes right agin one another, yet he gets along; and when *he lets his slice fall, or some one knocks it out of his hand, it always, some how, falls butter side up.*" "Well," says I, General, "don't you know why?" "Not exactly," says he, "Major." "Well," says I, "I'll tell you; he butters both sides at once," says I. It seems to us that Major DOWNING understood Lombard-street as well as New-York.

The Bank of England, being responsible for the regulation of the rate of discount, and consequently for the continued avoidance of the drain of bullion, found its nicest calculations thwarted by the operations and demands of the bill-brokers; and a very stern and uncommonly convincing case must be made out ere the bank can be called upon to cancel its ban, now found onerous. The transactions of the banking department with bill-brokers was found to embarrass the circulation department. The remedy suggested is fallacious. The bank has no guarantee that it would be profitable to them in times of prosperity, whilst the certainty is before them of its being an irksome and hazardous risk in the hours of a panic. The discount houses should stand upon their own bottom. They are middle-men between the bankers and the merchants. They go the round of the bankers every morning, and borrow from those who have to lend, and lend to those who want to borrow. What they ask is, that they should have the privilege of re-discounting, or, in other words, of a large addition to their capital and their means of operating, in excess of the natural state of the market, the result of which may be summed up in the momentous word—speculation.

The multiplication of discount houses and discount companies renders an adherence to this rule of the bank sound policy. It restricts the business to the capital of the firm or company, and to the actual floating capital available and not required by bankers, and leaves the bank to conduct its own operations as free as any other company. The discounting of bills is part of the business of the banking department, in which the proprietors are solely interested; and no claim on the bank, because it is the Bank of England, to force it to alter its policy, by a pressure from without, opposed to the interests of its propriety, can be supported.

We are not discussing any point inserted in the Bank Charter Act; we have our own opinions, and tolerably strong ones, to be avowed as occasion demands it. We simply refer to the appeal made in the interest of the discount houses, and can only recognise the propriety of the demand on the houses asking for it, as accommodation in times of their own difficulty, to be accompanied by a complete scrutiny of their affairs,

as a just security to the proprietary, in the same way that a bank pushed from imprudent operations sought the assistance of a more powerful rival. It must be conceded experimentally—must be denied on principle; and we sincerely trust that the bank will adhere firmly to its wise and stringent rule.*

The London discount houses have a grievance against the Bank of England, which has just been set forth in a pamphlet. The discount office at that establishment is closed to them, although it is open to all the rest of the community. Their exclusion dates from the panic of 1857. At that period, when their transactions, which consist in borrowing money repayable on demand, and in lending it on discount for fixed periods, ranging from one month to six, had reached an extraordinary height, they suddenly found themselves unable to comply with the run upon their deposits, unless they could get the Bank of England to make advances upon their assets, that is to say, to re-discount the bills which they thus discovered they had not the means of holding. They accordingly rushed thither, and, not content with seeking such aid as their pressing necessities rendered inevitable, demanded, in some cases, the most preposterous assurances as to the amounts which should be held at their service.†

Henceforth no discounts will be granted to the bill-brokers. If those houses choose to receive money at a call to an unlimited extent, they must themselves bear the responsibility of being at all times prepared to meet the engagements into which they may enter. They will no longer waive the power of encouraging a redundant manufacture of paper, relying on their immediate ability, in times of sudden pressure, to throw the *onus* of any difficulty on the Bank of England, and rendered confident as to their ultimate position by the endorsements of joint-stock banks, and the consequent unlimited commitment of a multitude of infatuated shareholders. It is plain the practice of the Bank of England in re-discounting for the bill-brokers was just as inherently vicious as that of the bill-brokers re-discounting for the joint-stock banks. It is true the Bank of England have always exercised much greater vigilance with regard to the character of any paper brought to them than was thought necessary by the establishments in question, but that makes no difference as regards the principle at stake; and no one can doubt, that if the promoters of the late crisis had known from the first that a resort to the Bank of England, to cover the consequence of their own want of prudence, had been impossible, the commercial delinquencies fostered through so many years would never have been encountered. In relation, also, to advances on bills, an equally proper and stringent course is to be adopted. Hitherto it has been common, not only to discount for the money lenders bills not having more than three months to run, but also to make advances for a fortnight, or shorter periods, on bills maturing at any time within six months. The one is to be discontinued as well as the other.

The following table exhibits the highest and lowest amount of coin and bullion held by the Bank of England each year since the new charter of 1844, and also the bank circulation of England, Scotland and Ireland :

* *London Bankers' Circular*, February, 1860.

† *London Times*.

Currency Statistics of Great Britain.

CURRENCY STATISTICS OF GREAT BRITAIN, 1844-1860.

For week ending	ENGLAND.			SCOTLAND.		IRELAND.		Total.	Bullion in Bks. of England.	Bullion in Bks. in Ireland.	Bullion in Bks. in Scotland.	Total.
	Bank of England.	Country Circulation.	Banks.	Bank of Ireland.	Price & Joint Stock Banks.	Bank of Ireland.	Price & Joint Stock Banks.					
1844. Sept. 14,	£21,285,000	£7,496,859	£2,940,456	£3,859,150	£2,052,262	£8,870,597	£15,291,000	£15,291,000	.....	.....	.....	.....
Nov. 9,	21,998,000	7,859,155	2,984,295	3,896,750	2,882,897	8,970,597	14,111,000	14,111,000	.....	.....	.....	.....
1845. June 21,	21,277,000	7,529,942	3,483,381	3,882,600	2,786,432	8,951,565	16,344,000	16,344,000	.....	.....	.....	.....
Dec. 6,	22,015,000	7,791,161	3,804,031	4,405,975	3,811,855	41,327,922	18,393,000	18,393,000	.....	.....	.....	.....
1846. Jan. 31,	22,169,000	7,893,277	3,182,225	4,305,975	3,104,776	40,660,268	18,293,000	18,293,000	£2,581,082	£1,179,178	.....	£16,915,205
Sept. 12,	21,192,000	7,519,301	3,446,787	3,923,575	2,664,600	38,746,268	16,293,000	16,293,000	2,223,481	1,080,926	.....	19,602,867
1847. Jan. 2,	20,683,000	7,664,176	3,212,225	3,803,189	2,808,922	39,599,741	15,033,000	15,033,000	2,608,012	1,384,387	.....	19,075,400
Nov. 6,	21,152,000	7,857,839	3,606,718	3,374,850	2,244,964	37,683,871	8,473,000	8,473,000	1,586,526	1,116,060	.....	11,130,586
1848. Jan. 1,	18,789,000	5,993,007	3,841,817	3,068,700	2,107,416	32,266,440	12,014,000	12,014,000	1,618,760	1,108,047	.....	14,740,807
M'ch 25,	18,640,000	6,173,418	2,951,987	2,990,375	2,116,620	32,872,750	15,065,000	15,065,000	1,680,487	1,096,364	.....	17,841,801
1849. May 19,	20,129,000	6,430,297	3,129,189	2,610,500	1,677,888	33,976,824	14,380,000	14,380,000	1,681,415	958,281	.....	16,969,696
Dec. 29,	19,040,000	6,123,393	3,242,448	2,626,400	2,008,108	33,045,349	16,965,000	16,965,000	1,432,575	899,555	.....	19,317,480
1850. M'ch 23,	19,936,000	6,208,442	2,993,621	2,601,500	1,888,824	33,628,387	17,203,000	17,203,000	1,495,844	980,886	.....	19,629,780
Dec. 23,	19,757,000	6,186,354	3,845,619	2,647,600	2,209,859	34,065,962	15,521,000	15,521,000	1,263,154	977,190	.....	17,781,844
1851. May 17,	20,686,000	6,650,947	3,254,470	2,604,225	1,924,748	35,070,390	18,293,000	18,293,000	1,824,188	916,875	.....	15,584,063
Dec. 27,	19,899,000	6,049,367	3,356,574	2,470,225	2,256,542	34,039,103	17,043,000	17,043,000	1,181,019	910,715	.....	19,184,784
1852. Jan. 24,	21,455,000	6,237,767	3,353,592	2,484,950	2,195,906	35,666,725	17,653,000	17,653,000	1,217,845	986,521	.....	19,837,866
July 10,	23,300,000	6,250,264	3,383,295	2,490,050	1,916,123	37,984,732	21,977,000	21,977,000	1,285,419	967,656	.....	24,160,075
1853. Jan. 22,	24,843,000	6,761,106	3,612,710	2,896,100	2,798,551	40,911,467	19,712,000	19,712,000	1,498,987	1,202,944	.....	22,418,984
Oct. 29,	24,557,000	7,232,293	3,957,659	3,031,425	3,235,627	42,044,039	15,313,000	15,313,000	1,791,442	1,288,192	.....	18,392,684
1854. Feb. 18,	23,305,000	6,954,468	3,974,109	3,225,900	3,568,506	41,023,288	16,227,000	16,227,000	2,099,277	1,455,585	.....	19,781,862
June 10,	21,542,000	6,780,196	3,319,198	3,127,750	3,052,898	39,821,582	12,688,000	12,688,000	1,927,762	1,684,440	.....	16,245,192
1855. July 7,	20,934,000	6,757,209	4,115,907	3,075,800	2,676,802	37,539,718	17,993,000	17,993,000	1,863,996	1,821,571	.....	21,648,567
Dec. 22,	19,584,000	6,900,914	4,400,768	3,424,025	3,619,254	37,893,956	11,143,000	11,143,000	2,295,901	1,944,059	.....	15,357,990
1856. July 7,	20,295,000	6,775,919	4,133,110	3,147,925	3,081,229	37,883,129	12,541,000	12,541,000	2,162,160	1,869,443	.....	16,562,588
Nov. 22,	20,965,000	6,969,074	4,444,702	3,559,540	3,866,540	39,894,516	9,677,000	9,677,000	2,563,114	1,814,355	.....	14,054,355
1857. Aug. 1,	20,616,000	6,562,421	3,992,477	3,278,825	3,154,890	37,604,608	11,602,000	11,602,000	2,264,171	1,792,606	.....	15,461,777
Nov. 21,	21,884,000	6,682,773	4,344,222	3,509,250	3,268,395	39,168,640	7,721,000	7,721,000	2,414,389	2,057,192	.....	12,192,731
1858. Jan. 16,	20,295,000	5,573,117	4,020,543	3,218,510	2,718,510	38,107,632	12,033,000	12,033,000	2,174,906	2,370,840	.....	16,598,746
Oct. 23,	21,886,000	6,518,501	4,062,249	3,835,400	3,835,452	39,107,632	19,898,000	19,898,000	2,455,761	2,322,879	.....	24,176,640
1859. M'ch 12,	21,240,000	6,277,697	3,780,662	3,407,425	3,827,882	38,939,116	19,884,000	19,884,000	2,851,868	2,621,270	.....	24,566,641
June 4,	22,172,000	6,418,030	4,450,582	3,405,325	3,894,722	39,870,562	17,888,000	17,888,000	2,800,945	2,508,445	.....	22,162,625

29

The lowest and highest prices of the leading funds in the year 1859 were as follow :

YEAR 1859.	JANUARY.		DECEMBER.		DURING THE YEAR.	
	Low-est.	High-est.	Low-est.	High-est.	Low-est.	High-est.
Consols,.....	94 $\frac{3}{8}$	96 $\frac{7}{8}$	96 $\frac{3}{8}$	97 $\frac{3}{8}$	88 $\frac{1}{2}$	97 $\frac{3}{8}$
Exchequer bills,.....	34s. p.	43s. p.	28s. p.	32s. p.	5s. p.	43s. p.
Bank stock,.....	225	229	226	228	215	231
Discount,.....	2 $\frac{1}{2}$	2 $\frac{1}{2}$	2 $\frac{1}{2}$	2 $\frac{1}{2}$	2 $\frac{1}{2}$	4 $\frac{1}{2}$
Buenos Ayres, 6 per cent.,..	80 $\frac{1}{2}$	86	77	83	71	86
Chilian, 6 " ..	..	104 $\frac{1}{2}$	104	105	95	105 $\frac{1}{2}$
" 3 " ..	..	76	..	..	68	78 $\frac{1}{2}$
Dutch, 4 " ..	100 $\frac{1}{2}$	102	99 $\frac{3}{4}$	101 $\frac{1}{2}$	86	102 $\frac{1}{2}$
" 2 $\frac{1}{2}$ " ..	65 $\frac{1}{2}$	66	64 $\frac{1}{2}$	66 $\frac{1}{2}$	56	67
Mexican,.....	19	20 $\frac{1}{2}$	22 $\frac{1}{2}$	23	15 $\frac{1}{2}$	24 $\frac{3}{4}$
Peruvian, 4 $\frac{1}{2}$ per cent.,.....	89	93	91 $\frac{3}{8}$	92 $\frac{1}{2}$	80	95 $\frac{1}{2}$
" 3 " ..	71	73	70	70 $\frac{3}{4}$	60	75
Russian, 5 " ..	112 $\frac{3}{4}$	114	109	110	100	114
" 4 $\frac{1}{2}$ " ..	99	101 $\frac{1}{2}$	100	101	87	101 $\frac{1}{2}$
Sardinian, 5 " ..	84 $\frac{1}{2}$	90 $\frac{7}{8}$	84 $\frac{1}{2}$	86	65	90 $\frac{7}{8}$
Turkish, 6 " ..	88 $\frac{1}{2}$	92	76 $\frac{1}{2}$	79	57	94
" 4 " ..	105 $\frac{1}{2}$	106 $\frac{1}{2}$	103 $\frac{3}{8}$	104 $\frac{1}{2}$	98	106 $\frac{1}{2}$

RAILWAYS.

Caledonian,.....	84 $\frac{3}{4}$	90 $\frac{1}{2}$	91 $\frac{1}{2}$	95	69 $\frac{1}{2}$	95
Eastern Counties,.....	61 $\frac{1}{2}$	64 $\frac{3}{4}$	56 $\frac{1}{2}$	59 $\frac{1}{2}$	49	64 $\frac{3}{4}$
Great Northern,.....	104 $\frac{1}{2}$	107 $\frac{1}{2}$	104 $\frac{1}{2}$	108	93	108
Great Western,.....	54 $\frac{1}{2}$	58 $\frac{3}{4}$	66 $\frac{1}{2}$	70 $\frac{3}{8}$	45 $\frac{1}{2}$	70 $\frac{3}{8}$
Lancashire and Yorkshire,..	95 $\frac{3}{8}$	99 $\frac{7}{8}$	98 $\frac{3}{4}$	100 $\frac{3}{8}$	83	100 $\frac{3}{8}$
London and Brighton,.....	109 $\frac{1}{2}$	114	113	115 $\frac{1}{2}$	104	115 $\frac{1}{2}$
London and North Western, 94 $\frac{3}{4}$	98 $\frac{3}{8}$	..	97	99 $\frac{1}{2}$	83	99 $\frac{1}{2}$
London and South Western, 92 $\frac{1}{2}$	95 $\frac{1}{2}$	..	96 $\frac{1}{2}$	98 $\frac{5}{8}$	84	98 $\frac{5}{8}$
Midland,.....	101	104 $\frac{1}{2}$	107 $\frac{1}{2}$	110 $\frac{3}{8}$	90	110 $\frac{3}{8}$
North Eastern, Berwick,....	92 $\frac{1}{2}$	95 $\frac{5}{8}$	93 $\frac{3}{4}$	95 $\frac{3}{8}$	81	95 $\frac{3}{8}$
South Eastern,.....	73 $\frac{1}{2}$	76 $\frac{1}{2}$	80 $\frac{1}{2}$	85	59	85
East Indian,.....	101 $\frac{1}{2}$	109	102	104	88	109
Great Indian, Peninsular,....	102	108 $\frac{1}{2}$	99	102	90	108 $\frac{1}{2}$
Grand Trunk, Canada,	33	37 $\frac{1}{2}$	37 $\frac{3}{8}$	44	28	44
Great Western, Canada,	16	17	12 $\frac{3}{8}$	13 $\frac{3}{8}$	12 $\frac{3}{8}$	17

New Loans in Europe, Year 1859.—The following is an account of the various loans introduced at the London market during the year 1859 :

Jan. 8.—£1,000,000 Victoria six per cent. railway debentures, at 107 and upward.

Feb. 1.—£6,000,000 Austrian five per cents, at 80, only a small proportion subscribed.

April 21.—£5,077,000 Indian four per cent. debentures, at 95 and upward. This loan was intended to be for £7,000,000, but the biddings at and above the *minimum* reached only £5,077,000.

Aug. 12.—£12,000,000 Russian three per cents, at 66 $\frac{1}{2}$, stated to have been fully subscribed in London and on the continent, but subsequently believed to have been taken only to the extent of half or two-thirds; Russian officials having nominally subscribed for the remainder.

Aug. 23.—£4,000,000 India five per cent. stock, at 97 and upward. For this loan there was a large excess of applications.

Oct. 25.—£423,000 Victoria six per cent. railway debentures, at 108 and upward. In addition to this issue, about £500,000 is believed to have been sold at intervals by private contract.

Dec. 5.—£620,000 Turkish six per cents, at 62½. During the year, France has raised a home loan of £20,000,000 in three per cents, nominally at 60½, but reckoning allowances, at 59¼. Austria also has raised £20,000,000 at Vienna, and £7,000,000 in Lombardy, besides resorting to a surreptitious issue of £12,000 at Vienna. Russia issued £4,500,000 five per cents at 95, and the various minor German powers came forward for small amounts. Sardinia obtained £1,200,000 from the National Bank at Turin, and £4,000,000 from the public. On the other hand, Denmark has paid off £697,200, the balance of a loan of £800,000, contracted in London in 1849. With regard to our own national debt, £2,000,000 of exchequer bonds were paid off at maturity in May last. Annuities to the amount of £306,000 per annum ceased in October, and shortly the securities known as long annuities will expire, thus effecting an additional yearly economy of £1,599,500.

THE YEAR 1860.

The British copper coinage is executed by private parties under contract. Of the English copper coinage, beginning in 1805 and ending in 1808, Messrs. BOULTON and WATT produced—of pence, 361 tons; of half-pence, 693 tons; and of farthings, 22½ tons. Of the Irish copper coinage, commencing in 1805 and terminating in 1806, the same firm supplied 151 tons of pence, 467 tons of half-pence, and 21 tons of farthings; giving a grand total of copper coins furnished by the presses of contractors between 1797 and 1808 of something over 3,500 tons, or above 300,000,000 individual pieces of all denominations. Subjoined are fac similes of the obverse and reverse of the new mixed metal coins issued in 1860:

THE NEW BRONZE PENNY (ACTUAL SIZE.)



The metal of which they are composed is a species of bronze, containing:

Copper,.....	95 parts.
Tin,.....	4 “
Zinc,.....	1 “

The popular tradition that the personification of Britannia was originated by CHARLES II. is erroneous. On the Roman Imperial coinage of ANTONINUS PIUS, who died A. D. 161, we find a female figure seated on a globe surrounded by waves, in her right hand a standard, in her left a javelin, her elbow reclining upon the edge of a large buckler by her side; in the exergue "Britan." The figure is supposed to typify the subjugated province, and well illustrates the lines of VIRGIL: "*Et penitus toto divisos orbe Britannos.*" It is true, however, that in CHARLES II.'s reign, after an interval of 1,500 years, the Britannia re-appeared on the copper coinage of England. PHILIP ROETIER is said to have been the engraver, and to have introduced the likeness of Miss STEWART, afterwards Duchess of Richmond, in the figure of Britannia.

At the Bank of England, September 6th, 1860, the court of directors ordered a gratuity of 10 per cent. on the salaries of all the clerks who had been in the establishment more than two years. They likewise ordered a gratuity of £1,000 each to Mr. GRAY and Mr. MARSHALL, the chief accountant and chief cashier, with a complimentary acknowledgment on their having respectively completed fifty years of service. Bank officers are sufficiently paid for their labor, in the United States, but not for the heavy responsibilities they assume.

A half-yearly court of the Bank of England took place September 13th, Mr. BONAMY DOBREE, the governor, presiding. The net profits in the six months ending the 31st of August were stated to be £710,143, making the "rest" on that day £3,736,139; out of which, a dividend for the half-year was declared at the rate of five per cent., free of income tax. The "rest" then stood at £3,008,489. In reply to a question, it was mentioned that the large increase in the "rest" shown in the last account arises from the usual addition at the end of the half year of the circulating accruing interest on the numerous investments held by the bank.

Decimal Coinage.—The question of decimal coinage was shelved, for the present, by the final report of the royal commission, dated on 5th April, 1859. The conclusions offered do not appear to have been unanimously, or even harmoniously arrived at; the document itself is not signed by the chairman, Lord MONTEAGLE, formerly better known as Mr. SPRING RICE, and for a good while chancellor of the exchequer; and it is followed, in individual explanation or justification, by a very much longer paper, entitled a draft-report, by Lord OVERSTONE, also better known as the senior of JONES, LLOYD & Co., and by a memorandum of Mr. J. G. HUBBARD, now M. P. The result had been anticipated for some time before the report was in circulation, and, indeed, before it was written. Not that the advocates for decimal coinage had urged their views with feebleness, either of logic or of expression; on the contrary, they argued with a certain fierce fervor, and frequently with considerable force; and, without any invidious comparisons, a dispassionate reader would most likely think that the weight of sagacious and learned authority preponderated in their favor. On the other side, they were met by singular ingenuity, industry and perseverance; arguments the most plausible and affecting to the British ear—those drawn from the embarrassments of change and the disturbance that novelties always cause—were adduced in remarkable variety and repetition; and the inertia (so to

speak) of the actual system of money and accounts was skilfully invoked both to shelter its defenders and multiply the toil of its assailants. This position as defenders gave, besides, the advantage of unity of purpose and consistency of effort; and the advantage was still further heightened (whether accidentally or not) by the interest which one of the commissioners, Lord OVERSTONE, took in the question, and the active leadership he assumed, to such a degree as to give to the whole institution very much the aspect of a commission for preventing the adoption of a decimal system. Almost simultaneously with his appointment, he issued a series of more than threescore questions, bearing quite plausibly in favor of the actual system; a respectably sized volume was published under his auspices, containing extracts from, or reprints of old and forgotten essays on currency and coinage; and the final report itself is accompanied with an analysis of more or less of the testimony that had been collected, made at his instance by one of the witnesses, who, besides the opportunity of refreshing his own testimony, was thus indulged with an occasion for criticising that of every one else. The decimalists, on their side, appear to have been wholly without such (or any) inspiring and cloud-compelling guidance; the piquancy of the subject seems to have stimulated, chiefly, the faculty of invention; and every one, nearly, of the two hundred authors who wrote in favor of a change, fought, like HARRY of the Wynd, "for his own hand." The whole number of literary contributions which the discussion called forth, ranging from elaborate articles in daily newspapers and journals of rarer issue, up to portly volumes, exceeds that of the days in a calendar year; and hardly more than a fourth part of this mass is anti-decimalist. It would be obviously an enormous task, as it would be an unwelcome and unprofitable one, to attempt any detailed analysis of such a mass; and what follows will be a mere indication of the more important steps which have marked the progress of the proposed measure.

In consequence of the policy adopted towards the brokers or bill discounters in 1859–1860, an attempt was made in April, 1860, by Messrs. OVEREND, GURNEY & Co., to force the bank into a return to their former policy. A report to the House of Commons showed that the reserve of notes in the banking department had decreased, between the 4th of April and the 11th of April, 1860, from £6,842,000 to £4,922,000; and the magnitude of the change naturally excited much remark. The paper laid before Parliament proves that almost the whole of that decrease was caused by a large increase of £1,000 notes. The figures are these:

RETURN OF BANK NOTES ISSUED BY THE ISSUE DEPARTMENT OF THE BANK OF ENGLAND.

	<i>On April 4, 1860.</i>	<i>On April 11, 1860.</i>
£5 notes,.....	£ 7,261,000	£ 7,340,000
£10 notes,.....	4,387,000	4,413,000
£20 to £100 notes,.....	6,672,000	6,536,000
£200 to £500 notes,.....	1,598,000	1,593,000
£1,000 notes,.....	1,927,000	3,585,000
Notes held by the public,.....	21,845,000	23,467,000
Notes held by the bank,.....	6,842,000	4,922,000

Now, as £1,000 notes are a kind of circulation very rarely used, it was evident that some peculiar agency must have been in operation; and it was ascertained that the house of OVEREND, GURNEY & Co. took from the bank about £1,650,000, and placed it in their own coffers. Of course, to this, in itself, the public could have no objection. The money was theirs. The payment of the dividends had given them an unusual command of money, and if they distrusted the solvency of the bank, or for any other reason thought it safer to keep their own cash in their own till, it would not be becoming in others to remark on it, still less would it be proper for us to write about it. But, as Mr. GLADSTONE observed, the firm in question do not desire that their course of conduct should be kept a secret; they say that they adopted it on public grounds, and wish it to be subjected to public discussion. Their object was a very simple one. There had been an unceasing dispute for some months between the bill-brokers and the Bank of England, in consequence of the rule which excludes the brokers from the discount office of the bank. The greatest bill-broking house in London desired to put an end to this if possible; they wished to show the bank how strong they were—how much money they had control over—how much they could withdraw at a critical instant. Accordingly, they took advantage of a moment at which it seemed likely the bank reserve would be less than it had ever been since the end of the panic of 1857, and at which they themselves happened to have rather more spare money than usual; they withdrew the whole of it from the bank. What has been the result? We find from the return of this week that the “great house” have put their money back again. We are not aware that they have gained any thing; that they have brought their lamentable dispute with the bank nearer to a conclusion; that they have elucidated any thing or accomplished any thing. They have, indeed, shown their power. But every one knew that Messrs. OVEREND & Co. dealt with millions, and to deal with millions is a great power. And, though they have not gained any thing themselves, they certainly did some harm to the public; they caused some days’ uneasiness. So large a reduction in the reserve of notes could not but create some anxious feeling, even if the cause had been known, but at first it was only known vaguely. There were rumors of a “conspiracy among money-dealers,” and firms which had no concern in what had been done were said to have participated in doing it. So extraordinary a course of conduct adopted by such persons, under such circumstances, could not but cause some degree of anxiety. We have very lately expressed our views at length on the merits of the dispute between the bank and the bill-brokers, and we need not recur to that subject at present. We can only regret that what has occurred is likely to embitter the discussion between them. The Bank of England cannot afford to be frightened; Messrs. OVEREND & Co. have, in simple English, attempted to frighten them. A firm in such credit as Messrs. OVEREND cannot like to fail in so marked a manner; and yet they have replaced their money, and all goes on as before.*

The Bank of France.—The operations of the Bank of France for the

* London *Economist*.

ten years, 1846–1856, show a vastly augmented commerce throughout the empire, greater activity in her manufacturing system, and enlarged wealth among the people. The Emperor alludes to this in the opening of his speech of the 7th February: “France has, as you are aware, during the last six years, seen her welfare augment, her riches increase,” &c. So far as these changes are indicated and confirmed by the movements of the Bank of France, there can be no doubt of renewed prosperity throughout the empire. The bank was allowed in 1856–’57 to double her capital, or from 91,250,000 francs to 182,500,000 francs. Upon this capital, equivalent to 36 millions of dollars, the bank has added largely to its individual deposits (say twenty-five per cent.) since May, 1856. The following is a recapitulation of the circulation, loans, specie reserve, dividends, and market value of shares of the Bank of France for each year, 1846–1856 :

YEAR.	Amount of Loans. Francs.	Gold. Francs.	Silver. Francs.	Total. Francs.	Dividend per Share. Francs.	Highest price of Share. Francs.
1846,.....	1,618,957,841 ..	6,800,000 ..	94,282,000 ..	101,082,000 ..	159 ..	3,505
1847,.....	1,808,246,438 ..	440,000 ..	169,060,000 ..	169,500,000 ..	177 ..	3,600
1848,.....	1,643,728,634 ..	4,700,000 ..	248,600,000 ..	253,300,000 ..	75 ..	3,230
1849,.....	1,025,666,213 ..	4,600,000 ..	429,270,000 ..	433,370,000 ..	106 ..	2,500
1850,.....	1,176,423,896 ..	11,980,000 ..	446,840,000 ..	458,820,000 ..	101 ..	2,425
1851,.....	1,241,412,880 ..	82,260,000 ..	456,460,000 ..	568,720,000 ..	105 ..	2,650
1852,.....	1,894,469,438 ..	68,936,000 ..	434,974,000 ..	503,910,000 ..	118 ..	3,108
1853,.....	2,842,980,205 ..	103,598,000 ..	219,432,000 ..	323,080,000 ..	154 ..	2,950
1854,.....	2,944,643,591 ..	193,937,000 ..	198,723,000 ..	392,660,000 ..	194 ..	3,000
1855,.....	3,762,000,000 ..	99,000,000 ..	100,000,000 ..	199,000,000 ..	200 ..	3,300
1856,.....	4,674,000,000 ..	81,000,000 ..	109,900,000 ..	190,000,000 ..	272 ..	4,075

CIRCULATION.

YEAR.	Notes of 5,000 Francs.	Notes of 1,000 Francs.	Notes of 500 Francs.	Notes of 200 Francs.	Notes of 100 Francs.	Total of Circulation.
1848,...	1,120,000 ..	210,000,000 ..	72,000,000 ..	55,000,000 ..	71,000,000 ..	409,120,000
1849,...	1,145,000 ..	270,050,000 ..	68,330,000 ..	49,075,000 ..	42,422,000 ..	431,022,000
1850,...	530,000 ..	257,863,000 ..	89,174,000 ..	57,318,000 ..	46,632,000 ..	481,552,000
1851,...	120,000 ..	372,051,000 ..	90,198,000 ..	53,890,000 ..	66,781,000 ..	583,040,000
1852,...	490,000 ..	428,012,000 ..	96,053,000 ..	84,663,000 ..	78,167,000 ..	689,910,000
1853,...	290,000 ..	419,232,000 ..	87,003,000 ..	74,767,000 ..	62,988,000 ..	644,280,000
1854,...	90,000 ..	403,649,000 ..	76,707,000 ..	79,221,000 ..	75,303,000 ..	636,970,000
1855,...	120,000 ..	381,991,000 ..	72,744,000 ..	74,747,000 ..	80,416,000 ..	612,237,000
1856,...	50,000 ..	371,505,000 ..	69,954,000 ..	72,704,000 ..	95,927,000 ..	612,332,000

The par value of the shares of the Bank of France is 1,000 francs. These have sold of late years from 2,425 to 4,075 francs per share, equivalent to about 200 per cent. advance. They have held much higher, viz. :

Francs.	Francs.
In 1847,.....	3,600
In 1848,.....	3,230
In 1849,.....	2,500
In 1850,.....	2,425
In 1851,.....	2,650
In 1852,.....	3,108
In 1853,.....	2,950
In 1854,.....	3,000
In 1855,.....	3,300
In 1856,.....	4,075

Up to 1857, the smallest denomination of notes issued by the Bank of France was one hundred francs. In that year bills of fifty francs were authorized. The circulation is more largely in 1,000f. bills than in any other; a marked contrast with the condition of bank issues in the United States.

Review of the Year.—Throughout the whole year 1860 the extreme range of consols was $3\frac{5}{8}$ per cent., that of the preceding year having been $8\frac{3}{8}$, while in 1858 it was 5 per cent. The highest price, $95\frac{7}{8}$, was touched on the 4th of January, and the lowest, $92\frac{3}{8}$, on the first of December. The difference between the opening and closing quotations of the year shows a decline of $3\frac{5}{8}$. In railway shares the average range of fluctuations was about 15 per cent., while, instead of a decline being established, as in consols, there has been an average improvement of about 10 per cent. of the bank bullion, its amount at the beginning was £16,460,824; it reached £16,552,030 on the 27th of June, and declined to £12,798,119, its lowest point, at the end of the year. At the Bank of France the total at the commencement was £23,200,000, while it is now £17,300,000, showing a loss of £5,900,000 during the year. On the Paris Bourse the fall in French rentes has been $1\frac{3}{8}$ per cent. With respect to the declared value of British exportations, the board of trade tables, for eleven months of the year, show a total of £123,714,276, against £119,613,185 in the corresponding period of 1859, being an increase of £4,101,091, or $3\frac{1}{2}$ per cent., while it exceeds by $7\frac{1}{2}$ per cent. the total of 1857, the great year of inflation. The changes in the bank rate of discount, which were five in number in 1859, were eleven in 1860. On the first of January, the rate was $2\frac{1}{2}$ per cent., whence it was gradually advanced to 5 per cent. It then went back to 4 per cent., but reached 6 per cent. on the 15th of November, and is now again at that point, after a temporary reduction to 5 per cent. In the cotton market there had been great steadiness; the price of fair Orleans, at the commencement, was about $7\frac{3}{4}$ d. per lb., and, after ranging between that price and 8d., it has closed at $7\frac{3}{4}$ d. to 8d. In the wheat market the movement has been large, and almost constantly upwards; Norfolk, which was quoted at 41s. to 42s. in January, having advanced to 64s.

The stock values of the year were as follow :

FLUCTUATIONS, 1860.	Price on 1st Jan., 1860.	Price 31st Dec., 1860.	Lowest Price, 1860.	Highest Price, 1860.
Consols,	$95\frac{5}{8}$ to $95\frac{7}{8}$..	$92\frac{1}{4}$ to $92\frac{3}{8}$..	$92\frac{1}{8}$..	$95\frac{7}{8}$
Exchequer bills,	30s. prem. ..	2s. dis. ..	6s. dis. ..	33s. prem.
Brighton Railway,	$111\frac{1}{2}$..	118 ..	$109\frac{1}{2}$..	$118\frac{1}{2}$
Caledonian,	95 ..	$97\frac{1}{2}$..	89 ..	$99\frac{1}{2}$
Eastern Counties,	$58\frac{1}{2}$..	$53\frac{1}{2}$..	$50\frac{1}{2}$..	$58\frac{1}{2}$
Great Northern,	$107\frac{1}{2}$..	108 ..	$103\frac{1}{2}$..	119
Great Western,	70 ..	$73\frac{1}{2}$..	$59\frac{1}{2}$..	$75\frac{3}{8}$
London and North Western,	99 ..	$101\frac{1}{2}$..	$95\frac{1}{2}$..	$104\frac{1}{2}$
Midland,	$110\frac{1}{2}$..	$135\frac{1}{2}$..	$105\frac{1}{2}$..	$136\frac{7}{8}$
Lancashire and Yorkshire,	$100\frac{1}{2}$..	$118\frac{1}{2}$..	$97\frac{1}{2}$..	$121\frac{1}{2}$
Sheffield,	$39\frac{1}{2}$..	55 ..	$37\frac{1}{2}$..	$57\frac{1}{2}$
South Eastern,	$84\frac{1}{2}$..	$87\frac{3}{8}$..	$82\frac{1}{2}$..	$89\frac{1}{2}$
South Western,	$98\frac{1}{2}$..	95 ..	$91\frac{3}{8}$..	$98\frac{7}{8}$
North East—Berwick,	$95\frac{1}{2}$..	$104\frac{1}{2}$..	$91\frac{1}{2}$..	$105\frac{1}{2}$
North East—York,	$79\frac{1}{2}$..	95 ..	$75\frac{1}{8}$..	$95\frac{3}{8}$
Lombard—Venetian,	$2\frac{1}{2}$ prem. ..	$1\frac{1}{2}$ dis. ..	$1\frac{1}{2}$ dis. ..	$2\frac{1}{2}$ prem.
East Indian,	$101\frac{1}{2}$..	$98\frac{1}{2}$..	$98\frac{1}{2}$..	$103\frac{1}{2}$

Subjoined is a summary of the principal financial and commercial events of the year 1860, in England and on the continent :

January 1. Consols, 95 $\frac{3}{4}$; French three per cents, 68f. 90c. Proposals put forth by Messrs. BARING & GLYN, on behalf of government of Canada, to convert the various debts of the province, amounting to £11,661,010, into a consolidated five per cent. stock, irredeemable for twenty-five years. This arrangement involved the payment of certain old bonds, and an issue of £2,800,000 new ones on the London market; the whole of which were rapidly subscribed; the applications having reached about £22,000,000. 3. Announcement of peace between Buenos Ayres and the other States of the Argentine Republic. Buenos Ayres six per cents., 82, whence they have since steadily advanced to 96 $\frac{1}{2}$. Mexican bonds quoted 23. Prospectus issued of the Bank of Turkey. News of treaty concluded by Mr. M'LANE, the United States envoy in Mexico, and the JUAREZ government in Vera Cruz. The treaty failed to obtain ratification at Washington. 12. Notice from the colony of Victoria, fixing the issue of Victoria railway debentures, in 1860, at £3,000,000. 16. Commercial manifesto of the French emperor. Consols firm. 17. New Belgian loan of £1,800,000 introduced at Brussels at 95 $\frac{1}{2}$. 19. Encouraging report published of Grand Trunk Railway of Canada, from Mr. BLACKWELL, its vice-president and manager, on opening of Victoria Bridge. Bank rate of discount raised from 2 $\frac{1}{2}$ per cent., at which it had stood for six months, to 3 per cent. Consols, 95 $\frac{1}{4}$. 26. Outline of treaty of commerce with France published in the *Patrie*. Cape of Good Hope six per cent. government debentures for £50,000 adjudicated, at prices varying from 105 $\frac{1}{8}$ to 108 $\frac{1}{8}$. 31. Bank bullion reduced to £14,542,502, or £1,918,322 less than on the 1st of January, owing chiefly to continuous purchases by the public of the Indian rupee debt and other Indian securities. Bank discount advanced from 3 per cent. to 4 per cent. Consols, 94.

February 1. Silver discoveries at the Washoe mines announced from California. 10. Budget of the chancellor of the exchequer, showing an estimated charge of £70,000,000, and a surplus of £464,000. The diminution of revenue was estimated at £1,000,000 from the French treaty, and £1,900,000 from the abolition of customs and excise duties, including that on paper. On the other hand, new imposts and savings were to yield £982,000. The balance from alterations, therefore, showed a net loss to revenue of £2,108,000. An increase of the income tax from 9d. to 10d., and an alteration in the collection of it, so as to force an additional quarter into the current year; a shortening of the malt and hop credits, and a renewal of £1,000,000 exchequer bonds maturing in November, were the main resources adopted to restore the account and to furnish the surplus promised. Intelligence from India that a government issue of notes had been resolved upon—the first emission to be £5,000,000, but future issues to be made without other limit than the necessity of holding a sum equal to one-third of the amount in bullion. The latter part of this proposal was subsequently disallowed by Sir C. Wood. Introduction of a bill by the Railway Companies' Association, to enable railways to escape the liabilities of the common carriers' act. An analogous movement had been made by the Great Western Company, in 1859, but without success, and the present measure ultimately shared the same fate.

March 11. Improvements in India rupee paper, on definitive statement from Calcutta, that no further loans would be required, and that the deficit for the current year, to be made up by new taxes, would be only £900,000. Rupee five per cents, 99 $\frac{3}{4}$; five and a half per cents, 105 $\frac{1}{2}$. 15. Half-yearly court at Bank of England; dividend of 4 $\frac{1}{2}$ per cent. declared; leaving the rest £3,025,991. 16. Introduction of new bankruptcy bill, containing five hundred and twenty-nine clauses, by the attorney-general—subsequently abandoned. 18. Brazilian four and a half per cent. loan for £1,373,013, introduced by Messrs. ROTHSCHILD, at 90, or £88 3s. 8d., reckoning dividend, &c. 20. Intelligence of the proposals of Mr. WILSON for establishing an income tax, in India, of 2 per cent. on all incomes above £20, and 4 per cent. above £50, and to levy import duties of 10 per cent. on cotton twist and yarn. 24. Unsuccessful meeting at the stock exchange, to consider the propriety of revising existing scale of brokers' commissions. 27. Deputation from Manchester to the president of the India Council, to remonstrate against the protective duties imposed in India. 29. Bank discount advanced from 4 per cent. to 4 $\frac{1}{2}$ per cent. Consols, 94 $\frac{1}{4}$.

April 7. Act imposing new stamp duties came into operation. 10. Tenders opened for £2,650,000 six per cent. government railway debentures of the colony of Victoria. Minimum price declared to be 105; only £1,570,000 subscribed. 12. Bank rate advanced from 4 $\frac{1}{2}$ per cent. to 5. Consols, 94 $\frac{1}{4}$. Intelligence of revolutionary movements in Sicily. Proposition from government of the Central American republic of San Salvador, to compromise the foreign debt of the State (£79,000) by a cash payment of £16,000, or about 4s. in the pound, unanimously rejected. Extraordinary drain of notes from the bank, the amount in circulation being £23,467,255, or about £3,000,000 beyond the average. Much alarm among a portion of the trading classes at sudden refusal of discount houses to continue their operations on the ordinary scale. Disquiet allayed by the discovery that Messrs. OVEREND, GURNEY & Co. had simply withdrawn a total of about £1,550,000 in notes from the bank, being a portion of the amount held by them as deposits from customers, with the view of locking these notes in their own safe. Dissatisfaction on their part at the strict operation of the rule adopted by the bank, after the panic of 1857, to withdraw all facilities for the practice of re-discounting, alleged to be the cause of this proceeding. The experiment terminated in the notes being carried back to the bank by Messrs. OVEREND, GURNEY & Co., on the 19th of April. About this time Messrs. STREATFIELD, LAURENCE & Co. were in the height of their business, and experiencing some inconvenience from what was termed the "conduct of the bank in checking the commerce of the country." News of the indigo riots in Lower Bengal. 17. Balance of the Victoria Railway loan again offered, and taken at the minimum originally named, 105. 20. Frauds detected of PULLINGER on the Union Bank of London, of which he was principal cashier. The amount subsequently proved to be £263,000, and on the 15th of May he was found guilty, and sentenced to twenty years' penal servitude. The shares of the bank declined from 30 to 23.

May 1. Tenders invited by the Grand Trunk Railway of Canada for

£1,111,500 second six per cent. preference bonds at 80. On the 8th of May the whole were stated to have been subscribed, with the exception of £225,000, which was afterwards placed. Default occurred on the first dividend becoming due at the end of September. 3. Failure of Messrs. J. & A. BLAIRIE, solicitors, at Aberdeen, with liabilities estimated at £200,000. The senior partner absconded. Protest of purchasers of Indian rupee securities against a determination of the government to render them liable to double income tax. 8. News of native outbreak in New-Zealand. Receipt of the minute issued at Madras by Sir CHARLES TREVELYAN, on the financial measures of Mr. WILSON. 11. Reduction of the bank rate of discount from 5 to $4\frac{1}{2}$ per cent. Consols, $95\frac{1}{2}$. 12. Stocks flat, partly in consequence of the expedition of GARIBALDI to Sicily. News of failure of the Red Sea telegraph cable, and the consequent loss of £800,000, on which the British government had guaranteed $4\frac{1}{2}$ per cent. for fifty years. 17. Fall of nearly 1 per cent. on the Paris Bourse, owing to the landing of GARIBALDI at Marsala. Consols, $94\frac{1}{2}$. 19. London bankers adopt an arrangement to close at 3 o'clock on Saturdays. 20. News of the Emperor of China having refused the ultimatum of the Allies. 22. Vote of the House of Lords for maintaining the paper duties. Consols advanced from $94\frac{3}{8}$ to 95. 24. Reduction of the bank rate of discount from $4\frac{1}{2}$ to 4 per cent. Consols, $95\frac{1}{2}$.

June 18. Meeting of the Emperor NAPOLEON and German sovereigns at Baden. Consols, $93\frac{1}{2}$. 23. News of the stoppage of the banking-house of JECKER, TORRE & Co., at Mexico, with liabilities for £880,000. 24. New Russian $4\frac{1}{2}$ per cent. loan of £8,000,000 introduced by Messrs. BARING, of London, and HOPE, of Amsterdam, at 92. The amount ultimately subscribed was £5,000,000. 25. Public subscription opened by Bank of France for £12,000,000 of railway obligations.

July 3. Failure of STREATFIELD, LAURENCE & MORTIMORE, in the leather trade, with liabilities, including those of their Liverpool house, amounting to about £1,200,000, followed by the stoppage of a number of other houses, with aggregate debts (chiefly represented by accommodation bills) of about £1,000,000 or £1,500,000. 4. Consols dull on announcement of £3,800,000 being required for China war. 17. Funds firmer on announcement that the deficit of £2,336,000 now shown in the revenue, notwithstanding the retention of the paper duties, would be provided for without the creation of new securities, partly by an increase of the spirit duties. £1,500,000 East Indian 5 per cent. railway debentures for five years offered at par. Only £1,200,000 were taken in the first instance, but the balance was ultimately placed. 23. Consols flat on the disturbances in Syria. 27. Announcement of £9,000,000 being required for fortifications, of which £2,000,000 would be raised within a year.

August 5. New 5 per cent. Sardinian loan for £6,000,000 opened at Turin, at $80\frac{1}{2}$, the whole of which was speedily subscribed, the applications having amounted to £22,000,000. 10. Intimation by Lord JOHN RUSSELL that Great Britain does not concur in the attempt to gain admission for Spain to the rank of a first-rate power. Satisfaction expressed by the holders of her securities, who are suffering from the confiscation she still practices. 14. Vote taken for an Indian loan of £3,000,000, as matter of precaution against possible contingencies before the next

meeting of Parliament, the estimate published in the spring having proved erroneous. 17. Power taken by the chancellor of the exchequer, as a precaution against the contingency of a bad harvest and a possible falling off in the revenue, to issue an extra million of exchequer bonds. 23. Reduction in the Piedmontese import duties on yarn tissues, &c., of cotton, hemp and other articles.

September 1. Transfer and dividend business of the Indian debt removed to the Bank of England. 11. News of the death of Mr. WILSON, at Calcutta. 13. Half-yearly court at Bank of England; dividend of 5 per cent. declared, leaving the rest £3,008,489. Heavy failures reported from Rio de Janeiro. Proposal to open up communication between Pegu and Western China discountenanced by the foreign office, partly on the ground that it might inconvenience that department.

October 10. Decline in consols, owing to purchase of gold by the Bank of France. Public meeting on the determination of the government to extort double income-tax on Indian native securities held in England. Committee appointed to adopt legal measures on behalf of the holders. Monthly return of the Bank of France, showing a falling off of £2,840,000 in the stock of bullion. 21. The English creditors of the republic of San Salvador agree to accept £25,000 in liquidation of their claims of £79,000. Intelligence of legal proceedings having been taken in Canada by the agents of judgment creditors in England to protect their interests. Rapid fall in the stock and debentures, the price of the stock, which a year previously stood at 40, having declined to 26, and of the ordinary debentures, which were at $74\frac{1}{2}$, to 52. 28. News of the complete overthrow of the illegal power of General FRANCO, in the republic of Equador, (the debt of which, chiefly held in England and Holland, amounts to £1,824,000,) by the constitutional army of General FLORES.

November 8. Bank rate of discount raised from 4 to $4\frac{1}{2}$ per cent. Consols, $93\frac{1}{4}$. Protest, in consequence of serious disasters in the Baltic, against the deck-loading of vessels. 9. Bank of France return shows another falling off, of £1,000,000, in the bullion. Total reduction within the past year, £8,600,000, or from £26,000,000 to £17,400,000. 12. Advance in rate of discount of Bank of France from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent. 13. Advance in the Bank of England rate from $4\frac{1}{2}$ to 5 per cent. Consols, $93\frac{1}{4}$. 15. Advance in the Bank of England rate from 5 to 6 per cent., in consequence of a rapid increase in the drain of gold to Paris. On this occasion the joint-stock banks, instead of raising their allowances for money at call to within 1 per cent. of the bank rate of discount, as usual, fixed it at $4\frac{1}{2}$ per cent. 21. Meeting of the London Discount Company. Resolution to wind up. Arrangement between the Bank of France and the Bank of England for the latter to purchase £2,000,000 of silver. Immediate improvement in the money markets of London and Paris. 25. News of heavy fall in the rate of exchange at New-York, owing to money panic, consequent on the prospects of disunion. 29. Reduction in the bank rate of discount from 6 to 5 per cent. Consols, $93\frac{1}{4}$. 30. Further unfavorable accounts from New-York. Average fall of 20 or 30 per cent. in the principal securities.

December 1. Commencement of gold shipments to America. £108,500

transmitted by the *Europa*, and followed by other amounts, which, before the end of the year, raised the aggregate to nearly £2,000,000. 5. News of the suspension of most of the banks in the Southern States of America. 7. News of combination among the New-York banks for mutual support. 9. News of the robbery by the Mexican government of £173,000 belonging to the English bondholders, deposited under the seal of the British legation. 12. A further sum of £1,500,000 East Indian 5 per cent. railway debentures for five years, offered at par. Prospectus issued by M. MIREs, of Paris, of new Turkish 6 per cent. loan of £16,000,000, of which £5,000,000 is offered for subscription in London, at a price equal to 59½. List to be closed January 5, 1861. 15. Intelligence of the crossing of the Australian continent, from south to north, having been completed by Mr. STUART, of Adelaide. 17. News of the treaty of peace with China. Indemnity, £2,900,000. 21. £50,000 4 per cent. Jamaica bonds, guaranteed by the home government, subscribed, at 105. Abolition of the passport system in France as regards English subjects. 31. Bank bullion, £12,798,119, being the lowest point of the year, and showing a reduction of £3,662,705 from the total held at the commencement. Consols, 92½.

The governors of the bank are mostly engaged in large concerns of their own, and it is hardly possible to suppose that there may not arise occasions, on which their attention may be distracted or diverted from the affairs of the bank to their own. At all events, this circumstance is calculated to interfere with that continuity of attention to the concerns of the bank and to the interests and convenience of the public, which, in the opinion of Mr. NORMAN, with whom on this point I agree, it is desirable that the person intrusted with the supervision and direction of every part of that vast establishment, should be able to apply. This condition is of necessity very imperfectly fulfilled in the present management.*

I consider that a board, consisting of twenty-four directors and two governors, is too numerous for deliberation and discussion on questions of importance, involving points of difficult solution, and affecting the interests and convenience of the public, and at the same time requiring prompt decision. If the members possess and profess independent opinions, each of them might descant, for half an hour or upwards, upon his peculiar views, and the most fluent and determined speaker would occupy most time, and say, perhaps, what was least to the purpose, leaving insufficient opportunity for those best acquainted with the subject to express their opinions. The delivery of an opinion in an assemblage so numerous partakes of the nature of a set speech; and a decision come to as the result of such speaking, and carried by a simple majority, is as likely to be wrong as to be right, and in some points of view more likely to be wrong than to be right. I do not say, because I have no means of knowing the fact, that this would be a correct description of what passes in the bank court, in the discussion of matters of financial importance brought before it. But what I do mean to say is, that a board consisting of twenty-six members is totally unfit for the discussion of questions such as alterations in the rate of interest, which are brought before the weekly courts.*

* TOOKE'S *History of Prices*, vol. v.

G E N E R A L V I E W S

AS TO THE BANK CHARTER OF 1844.

I WILL now enumerate* the conclusions which, in the course of this inquiry, I have sought to establish; or, in other words, the opinions which it has been my purpose to set forth.

1. That the obligation to satisfy all contracts or engagements, expressed in terms of money by the payment of specific quantities of gold and silver coin of certain fineness, is the cardinal principle of all sound monetary legislation.

2. That, as a matter of fact, the maintenance of such a metallic standard, and the enforcement by law of strict conformity to that standard of all paper and other forms of credit, has, for a long period, been the law and practice of this country; the only exception being the period from 1797 to 1819, when, for reasons of State policy, the obligation of cash payments was suspended.

3. That the act of 1819 fully and effectually restored the payments in cash suspended in 1797. "Complement," or additional security to the maintenance of the measure of 1819, is a source of danger to it.

4. That there is great unfairness in the charge brought against a large majority of those who, with myself, are opposed to the act of 1844, to the effect that we seek to restore a paper currency not limited by a metallic standard; for I can say for myself, and for those with whose opinions on the subject I am best acquainted, that we do not yield to the upholders of the act of 1844 in attachment to the principle consecrated and effectually maintained in operation by the law of 1819.

5. That the claim set up in behalf of the act of 1844, to the effect that the amount of bullion in the bank has, from the date of its enactment to the present time, been larger than, but for the act of 1844, it would have been, is utterly unfounded and inadmissible, inasmuch as there is the strongest presumptive proof that the act had not and could not have the effect alleged; the new source of supplies of gold from Russia serving to account for the largeness of the treasure of the bank from 1844 to 1847; and the still larger supplies from Australia serving to account for the greater amount of the treasure since 1847.

6. That there is the strongest reason to believe, that had it not been for the new and enlarged supply of gold from Russia, the act of 1844 would not have come into existence, and that, had it not been for the discoveries of gold in California and Australia, the act could not have been maintained in existence to the present time.

7. That bank notes are not money in any sense which does not also include other forms of paper credit, nor (as contended by Sir ROBERT

* *TOOKE'S History of Prices*, vol. v. pp. 633-639.

PEEL and his party) have bank notes any influence on the foreign exchange, or on prices greater than, or different from, other forms of credit.

8. That the assumption also by Sir ROBERT PEEL, that bank notes, strictly converted into coin at the will of the holder, have been and may be depreciated; or, in other words, the allegation that there may be, as it is said there has been, a disparity between gold and the paper which circulates with it at par, is a fallacy unsupported by experience and unintelligible in reasoning; or rather, with reference to the definition, is a contradiction in terms.

9. That there is no foundation in argument, or authority for the allegation, that the issue or creation of bank notes is exclusively and solely the peculiar function or province, or prerogative or privilege, of the sovereign or state.

10. That the assumption of a purely metallic currency as the type or model of a perfect circulation, proceeds wholly upon a mere fiction of the imagination, inasmuch as we can neither refer to the authentic records, nor to the actual existence, in this or other countries, of any such metallic model.

11. That, according to the hypothesis that can be most carefully framed, of what would be the action of a metallic currency, we have the fullest reason to conclude, that the actual variations in amount of our existing mixed circulation of coin and convertible paper, do not and cannot differ from what would be the variations in amount of a metallic currency. And hence, that the conditions of the supposed metallic model, as far as it can be intelligibly described, were fulfilled by the currency of this country previous to the measure of 1844, and have not been fulfilled to any greater extent, nor in any better mode, by the aid of that measure, since 1844.

12. That, consequently, the leading tenet of the doctrine of the new school, which assumes and asserts, that the circulation, as it existed prior to 1844, did not conform in its variations to what would have been the variations of a metallic currency, and was, therefore, vicious in principle and pernicious in practice, is not maintainable as a ground for the support of the principle of the act of 1844.

13. That equally unfounded is the proposition, which maintains that the union of the functions of issue and banking in the Bank of England is incompatible with a due regulation of the amount of the issues. On the contrary, the blending and combination of the two functions is not only compatible and congruous, but highly expedient, as a means of promoting the interests and convenience of the public; and is, moreover, better calculated to secure the maintenance of specie payments than the present system of separation.

14. That a great mistake was committed by the framers of the act of 1844, in the assumption that the banking department of the Bank of England admits of being conducted in the same way, and with only the same effects on the interests and convenience of the public, as any other non-issuing joint-stock bank.

15. That, by the plan of separation, a distinct reserve of gold is provided, for the security of the circulation, which is the part of the liabilities least exposed to fluctuation; while the other class of liabilities,

which are subject to a wider range of fluctuation, are left unprovided with any similar security.

16. That this separation of the functions of the two departments, which were erroneously held to be incompatible, has caused them to become actually antagonistic, inasmuch that, in a time of pressure such as 1847, an increased demand for bank notes acts directly in diminution of the banking reserve, instead of acting, as such an increased demand for bank notes would do under a state of union of the two departments, in positive relief of the pressure on the bank.

17. That the opinion which I expressed when writing on the subject in March, 1844—"that the total separation of the business of issue from that of banking is calculated to produce greater and more abrupt transitions in the rate of interest and in the state of credit than a system of union of departments"—has been amply borne out by experience.

18. That the eventful and varied experience of the last eleven years has proved that, under the plan of a separation of the departments, the changes in the rate of interest and in the state of credit have been far more abrupt, frequent and violent, than under the previous system.

19. That these frequent and abrupt changes have been aggravated by the erroneous and exaggerated view taken by the directors of the Bank of England of a duty which they appear to have supposed to fall upon them, of conducting the business of the banking department in a rigid obedience to what is called the principle and spirit of the act of 1844.

20. That the errors of management chargeable against the bank directors, as well before as since the measure of 1844, seem to be referable in no small degree to faults in the constitution and composition of the governing body of the bank.

21. That the practice of deciding on so important a measure as alterations of the rate of discount by a mere majority of a numerous board of directors, after a brief, and, perhaps, hurried discussion taking place at a weekly meeting of the court, is a practice highly objectionable; and that, in truth, it is not easy to suppose a machinery worse calculated to accomplish the end in view.

22. That it is to be regretted that, in 1844, Sir ROBERT PEEL did not apply his eminent administrative talents to improve the constitution of the governing body of the bank, instead of committing himself to dogmatic legislation on the general subject of the currency—a subject, the knowledge of which he clearly had not mastered.

23. That next, therefore, to the abrogation of the act of 1844, as it relates to the division of the departments of the Bank of England, and to restrictions on the circulation of bank notes, the most important question relating to the currency which can occupy the attention of Parliament, will be the application of a remedy to the obvious faults in the constitution and rules of management of the governing body of the Bank of England.

THE FREQUENT ALTERATIONS OF THE MINIMUM RATE OF DISCOUNT OF THE BANK OF ENGLAND DURING EIGHT YEARS, 1847-1855.

COMMENTS THEREON OF THE LORDS' REPORT.

THE variations in the bank rate of discount* since the crisis of 1847 have been nearly as frequent as they were in the period noticed in the Lords' report, (section 6.)

From 8 per cent., at the close of October, 1847, it was reduced to 6 per cent. on the 2d, and to 5 per cent. on the 23d December of that year.

It was thenceforward reduced by successive steps until the 22d April, 1852, when it reached the lowest rate, or 2 per cent. It continued at 2 per cent. till the 6th January, 1853. It was then raised to $2\frac{1}{2}$ per cent., and further advanced thenceforward by steps or stages of $\frac{1}{2}$ per cent. each till the 11th May, 1854, when it reached $5\frac{1}{2}$ per cent. That rate was continued for a short time only, and was progressively reduced to $3\frac{1}{2}$ per cent. on the 14th June of the present year (1855.)

The number of variations during the fall from 8 per cent. to 2 per cent. was ten; and during the subsequent fluctuations, to the present rates of 6 and 7 per cent., the number has been sixteen; making the total of the variations in the rate during the entire period from 25th October, 1847, to December, 1855, twenty-six, and the total number from the passing of the act of 1844 to this time no less than forty.

In these frequent alterations the directors have been acting, no doubt, in conformity with what they have considered to be the spirit of the act of 1844, and in obedience to the exhortations of the author of that measure. Whether this system of a wide range of fluctuation, and of frequent changes between the extremes, be more profitable to the bank than a more uniform rate, is a question upon which it would be presumptuous in any one not being a director to offer an opinion. But, that it is inconvenient and injurious, in a public point of view, on the grounds stated in the extract already given (page 83, *seq.*) from the Lords' report, I think there can be no reasonable doubt.

The transition from a high to a low, and especially from a low to a high rate of discount, is always attended with some degree of inconvenience, and with a disturbance, more or less, of existing arrangements. Such transitions are inevitable, as a consequence of the infinite variety of circumstances, commercial and political, (including under the former the effects of vicissitudes of the seasons,) which are calculated to influence the demand for the use of capital; and it is quite impossible for the bank, or any other institution, to exercise any permanent control over the rate paid for the use of it—a rate, of course, determined by the law of supply and demand. This is true; but it is nevertheless the precise fallacy of the plea usually adduced in justification of the conduct of the bank on every occasion on which the propriety of its announced altera-

* *Tooke's History of Prices*, vol. v. pp. 555-558.

tions is canvassed and questioned; for it is beyond question, that in the large majority of instances the movements of the bank in respect of its rate of interest are attended with very perceptible, although they can be only temporary, effects. Of this there can be no better proof than the anxiety manifested on the stock exchange and by the money dealers, on every occasion when a change is expected, to learn the determination come to at the breaking up of the weekly meeting of the court of directors on the Thursday. And the moral effect of the course adopted by the bank on such occasions is frequently much greater than might be expected from a consideration of the mere difference in the rate. But it is chiefly when the reduction, on the one hand, is much below, or the advance, on the other, much above their usual rate, that, in the one case, it inspires undue confidence, leading to overtrading and speculation, and to an unsound state of credit; and, in the other, that it gives rise to excessive alarm, tending to terminate in panic. For example, it has been abundantly shown, in a multitude of forms, that the act of 1844 was instrumental in aggravating or intensifying the tendency which from other causes existed to each of these extremes, in the interval between the date of its enactment and the latter months of 1847.

There cannot, I think, be a reasonable doubt but that the reduction of the bank rate of discount, on the passing of the act, from 4 per cent., which had been its previous minimum, to $2\frac{1}{2}$, and the continuance of a rate so low as 3 per cent. during a great part of 1845 and 1846, contributed to increase and extend the spirit of enterprise, and the railway mania and the overtrading, especially in the East India trade, which marked that period.

This view of the effects of the reduction of the bank rate is thus noticed by the Lords' committee:

"The effect of a low rate of interest could not fail to give a great additional stimulus to speculation of all kinds. It could not but have augmented the facility of forming joint-stock companies for rail-roads and other purposes. In the former case it has acted the more effectually, as the bank of late adopted a practice of investing its capital in railway securities. The sum of £2,481,000 was so invested; and these securities seem, by the bank, to have been substituted for the floating debt of the country. In 1844 the greatest investments of this kind took place.

"The proceeding is the more questionable when it is considered that the governors, in describing the causes of the commercial distress, have informed the committee that 'one cause of the distress is, that many of those parties have been dealing in railway shares; the capital which they ought to have kept in their business they have put out, in expectation of realizing at a profit; but railway shares have become nearly unsalable, and their capital has been locked up.' Although a distinction undoubtedly exists between the rail-road debentures purchased by the bank and the shares of railway companies, yet it is evident that the purchase of these securities by the Bank of England must have given a high sanction and an effective stimulus to those very undertakings which the committee find are afterwards referred to among the causes of the commercial distress."—*Lords' Report*, 1848, p. 36.

ALPHABETICAL INDEX

TO SUBJECTS CONTAINED IN

THE HISTORY OF THE BANK OF ENGLAND.

Published at the office of the "BANKERS' MAGAZINE and STATISTICAL REGISTER, New-York."
One volume, octavo, pp. 462. Price, Three Dollars.

- Aberdeen**, exchange banks, 1845, 399.
Abingdon old bank, failed, 380.
Addington, Mr., extract from, 134, 135.
Agricultural society, first in Scotland, 80.
Aislabie, chancellor of the exchequer, 68.
— infamous conduct of, 76.
Alessi, Vincent, 143.
Alison's "History of Europe," extracts from, 112, 119, 136, 138, 141, 170, 171, 173, 176, 179, 183, 185, 186, 188, 197, 199, 202, 207, 210, 213, 215, 226, 242, 243, 251, 253, 273, 299, 370, 376.
Althorpe, Lord, extracts from, 235, 236.
— presented the plan of government for renewing the charter of the bank in 1832, 233.
America, management of public debt in, 139.
American firms, failures of, 252.
— South, speculations, 160.
— stamp act repealed, 130.
— war, 110.
Amsterdam, rate of discount, 413.
Amiens, peace of, 133.
Anderson, the historian of English commerce, extracts from, 32, 55, 65, 67.
Appendix, 311.
Arkwright's second patent for spinning frame, 131.
— spinning frame, 130.
Art of bleaching introduced, 130.
Ashburton, Lord, 196, 288.
— commissioner to the United States, 294.
— treaty, 193.
— ratified, 294.
Assignats, French, 118, 138.
Assignats given as security for a forced loan, 136.
— issue of, in France, 131.
Assurance companies chartered, 73.
Astlett, Robert, 134.
Atterbury, Bishop of, seized, 83.
Attwood, Mr., 204, 217, 288.
Australia, effects of the discoveries in, 407, 420.
— emigration to, 403.
— influx of gold from, 412.
Australian agricultural company, 403.
Austria, Bank of, 105.
— government situation, 176.
— loan contracted for, in 1824, 206.
— — of £7,000,000 for, 1851, 400.
Bank of Amsterdam, 322.
Bank of England, 33.
— accusations against the directors, 49.
— artifice of the, 87.
— founder of the, 36.
— five pound notes issued, 131.
— five pound notes in circulation, amount of, 1792 to 1816, 169.
— establishment of the, 41.
— extension of the charter, 57.
— increase of dividend, 105.
— in Grocer's Hall, 42.
— opposition to the, 39.
— one and two pound notes, 132.
— — withdrawal of, 176, 223.
— trial of the, 43.
— origin of the, 36, 319.
— will of the, 44.
— epitaph of the, 45.
— decrease of discounts, 123.

- Bank of England, difficulties of the, 45.
 — suspension of the, 121, 47.
 — pamphlets on the, 39.
 — preserve their credit, 52.
 — preservation of credit, 95.
 — price of stock of the, 164.
 — services of the, 54.
 — advance to government, 55, 117.
 — amount of notes in circulation under five pounds, 1797 to 1816, 169.
 — saved from pillage, 56.
 — silver tokens issued by, 131.
 — investing on mortgages, 188.
 — its importance, 57.
 — remarks upon the, 53.
 — review of the, 53.
 — run on the, 57, 81, 200, 226, 301.
 — stock, fall of, 58.
 — unclaimed dividends, 109, 141.
 — rivalry with the, 68.
 — rest of the, 80.
 — disputed, 253.
 — error of the, 408.
 — extension of discounts, 125.
 — amount of commercial paper discounted, 1818-1832, 214.
 — assistance to government from the, 82.
 — analysis of the act, 41.
 — circulation of one pound notes, 183.
 — new building of the, 83.
 — new subscription, 55.
 — stratagem of the, 87.
 — ten and fifteen pound notes issued, 130.
 — reduction of interest, 89.
 — danger to the, 221.
 — discontinuance of notes under five pounds, 176.
 — dividends of the, 89, 312, 314.
 — — 1821-1827, 198.
 — description of the bank, 90.
 — lend money on plate, 47.
 — loan to government, 93.
 — loss on sixpenny pieces, 224.
 — alarm of the directors of the, 96.
 — attacked, 97.
 — military force in the, 98.
 — partial resumption by the, 172.
 — purchase of the dead weight, 175.
 — losses of the, 98.
 — resumption of cash payments by the, 173.
 — gain from paper circulation, 141.
 — interest fixed at four per cent. in the, 175.
 — shares of the, lowest and highest, 1821-1827, 198.
 — stock, fall in, 178.
 — branch banks suggested, 211.
 — branches of the, 218.
 Bank of England, cash and bullion in the, 106.
 — court of directors of the, 114.
 — petition of the, 173.
 — protest of the, 237, 116.
 — memorial of the, 116.
 — notes, amount in circulation, 1818 to 1832, 214.
 — notes, yearly average of, 1844-1857, 435.
 — crisis in the history of the corporation of the, 117.
 — dismay of the directors of the, 121.
 — paper of the, 125.
 — improved, 133.
 — internal alterations, 261.
 — charter, committee on the, 432.
 — restriction act, 126.
 — charter suspended, 429.
 — charter, 1832, 233.
 — circulation department, 261.
 — court of proprietors of the, 126.
 — balance in favor of the, 126.
 — bonus to the proprietary, 133, 161.
 — claims upon the State by the, 131.
 — profits of the proprietors, 137.
 — accounts of the, 139.
 — increase of the, 139.
 — receive from the public, 140.
 — enlarge their dividend, 140.
 — failure of the governor of the, 239.
 — reduction in the rates of management, 141.
 — paper depreciated, 145.
 — notes at a discount, 153.
 — restriction act of the, 152.
 — large advances to the State, 159.
 — lowest coin and bullion held by the, 444.
 — note, new, description of, 441.
 — pay gold, 163.
 — paper, value of, 167.
 — tokens, 154.
 — tokens issued by the, 137.
 — resumption of cash payments, 167.
 — dividends raised from seven to ten per cent., 161.
 — governor and directors elected April, 1861, 343.
 — review of, by Richard Valpy, 436.
 — stock, bonus of twenty-five per cent., 162.
 — to pay specie for its notes on demand, 170.
 — suspension of the charter of the, 381.
 — and the chancellor, 192.
 — bullion and coin, 1844 to 1862, 336.
 — branches in 1856, 418.
 — supply gold, 196.
 — bullion in the, 1857, 429.
 — pay in half sovereigns, 200.

- Bank of England, duties, qualifications, &c., of the governors of the, 344.
 — conduct of the, 203.
 — and the discount houses, 443.
 — assistance of the, 210.
 — bullion reserve, 1778 to 1844, 317.
 — bullion in, 1855, 417.
 — directors of the, 212.
 — surplus profits, 1778 to 1844, 317.
 — tribute to, during the panic, 212.
 — reserve of notes, 1844 to 1862, 336.
 — make advances on goods, 216.
 — directors of the, 1694 to 1861, 340.
 — protest of the, 236.
 — over-issue of, in 1857, 435.
 — bills of the, 256.
 — bonuses on stock of the, 313.
 — alterations in the, 261.
 — dividends, from 1731 to 1861, 311.
 — — from 1694 to 1729, 314.
 — light sovereigns called in by the, 265.
 — loans, 1778 to 1844, 317.
 — returns of the, 297.
 — shares, lowest and highest, 1731 to 1861, 311.
 — — shuttings of the, 299.
 — — a visit to the, 329.
 — — traditions of the, 300.
 — — private deposits, 1844 to 1862, 336.
 — — deposits, 1778 to 1844, 317.
 — — public deposits, 1844 to 1862, 336.
 — — interior arrangements of the, 302.
 — — the court room of the, 305.
 — — management of the, 306.
 — — chief cashier's office, 305.
 — — deposits in the, 308.
 — — circulation, 1778 to 1844, 317.
 — — — 1855, 417.
 — — enlargement of the, 303.
 — — first savings bank, 172.
 Bank of France, a demand on them for bullion, 127.
 — transactions with the, 253.
 — application to the, 254.
 — suspension of payment, 391.
 Bank of Genoa, failure of the, 89.
 — of Lisbon, 220.
 — of London, increase in deposits in 1861, 316.
 — deposits each year, 1857 to 1861, 315.
 — of Scotland, the projector of, 33.
 — of St. George, 322.
 — of St. Petersburg, 131.
 — of the United States, 131.
 — charter expired, 172.
 — of Venice, established, 17.
 — establishment of a national, 30.
 — of credit, pamphlet on, 31.
 — of credit, 32.
 — land, 32.
 — national, 39, 131.
 Bank of Venice, joint-stock, 236.
 — royal, 60.
 — branch, 219.
 — of Vienna established, 66.
 — notes, use of, 256.
 — note paper, 95.
 — paper, reduction of, 153.
 — — profuse issue of, 146.
 — — value of, 1815 and 1816, 167.
 — restriction act, 126.
 — restriction bill proposed, 135.
 — fraud, 279.
 — of credit established, 31.
 — — does not flourish, 31.
 — shares, price of, 1835-1840, 255.
 — stock, fall in, 178.
 — — prices of, 1830-1836, 241.
 — — 1841-1846, 293.
 Bankers, Lombards dealt as, 18.
 — failure of country, 193.
 — failure of, in London, 94.
 — — private, 209.
 — first run upon the, 27.
 — private, 52.
 — in London, 178, 309.
 — — increase of, 108.
 — — on first failures of, 94, 279.
 — circular, London, 444.
 — country, failures of, 110.
 — — check on, 216.
 — — circulate notes under £5, 124.
 — — unable to meet their liabilities, 195.
 — — bills of, 195.
 — — issue notes for five and ten shillings, 216.
 — — 213.
 — — dislike branch banks, 218.
 — distrust of American, 242.
 — of Birmingham, 219.
 — petition of, 280.
 Banking, continental, 438.
 — house, not a single one in London in 1694, 320.
 — progress of, in Great Britain, 437.
 — under the Stuarts, 22.
 — houses, balances of, 205.
 — country, 193.
 Bankruptcies in 1815, 161.
 Barber and Burchman, 284.
 Beckmann's history of inventions, extracts from, 14.
 Berlin decrees, 138.
 Bentinck's, Lord George, project for railways in Ireland, 372.
 — — 374.
 — — remarks on the bank charter [act, 386.
 Baring, 173, 213. — Brothers & Co., loan by, 254.
 — Messrs., contract a loan for Russia, 397.

- Banks, circulation of country, 1818-1832, 214.
 — — 1849, 396.
 — Glasgow, suspension of, 429.
 — joint-stock, in London, 236.
 — Liverpool, suspension of, 429.
 — number of country, 163.
 — origin of country, 107.
 — over-issue of the joint-stock, 224.
 — Scotch exchange, 1845, 399.
 — suspension of, in United States, 429.
 Baring, Mr., extract from, 174, 179, 213, 217, 235, 374.
 — Mr., answer of, to Peel's statement of the bank charter act, 386.
 — Mr., objection to the income tax, 368.
 — Alexander, extract from, 197.
 Barber, trial of, 285.
 Bayonets invented at Bayonne, 46.
 Birmingham, advance to, 217.
 Blunt, Sir John, projector of the South Sea scheme, 68.
 Board of Trade, 298.
 Bodleian library, 24.
 Bogle, Allan George, 267.
 — Kerrich & Co., 267.
 Bolingbroke, genius of, 57.
 Bombay and Tangier ceded, 46.
 — rates of freight to, 416.
 Bonus, 87.
 Bord, Mr., 288.
 Botany Bay discovered, 131.
 Bourbel, Marquis de, 266, 270.
 Boyd, Walter, remarks on the drain of specie, 123.
 Bramah & Co., inventors of the machine for numbering notes, 306.
 Brazils, 147.
 Brazil, loan contracted for in 1824, 206.
 — loan contracted for in 1825, 207.
 Bremen sold to George I., 67.
 Bridgewater canal, 94.
 Briscoe, John, proposes a Land Bank, 323.
 Britain, position of, 103.
 British Association for the advancement of science, 436.
 British cast plate glass company, 131.
 British Linen Company, fluctuation of notes in circulation, 147.
 Brougham, Lord, extract from, 153, 353.
 — speech of, 225.
 — resolutions of, on the state of trade and manufactures, 183.
 Brwn, one of the directors of the Royal British Bank, 430.
 Brunswick, House of, the head of the, ascended the English throne, 58.
 Bubble companies of 1824, 189.
 Buckle-makers against shoe-strings, 131.
 Buckle, Mr., extracts from his History of Civilization, 286.
 Buenos Ayres, loan contracted for, in 1824, 206.
 — trade with, 147, 161.
 Building companies, number projected, amount of capital, &c., in 1827, 206.
 Bullion, drain of, 14, 26, 117, 252.
 — export of, 135, 405.
 — import of, 405.
 — in the bank, 184, 429.
 — and coin, lowest amount held by the bank, 444.
 — high price of, 145.
 — committee, 148.
 — committee, report of, 145.
 — report, 148.
 — standard price of gold, 169.
 — speculators, 163.
 — traffic in, 153.
 — office, 304.
 — purchased by the Governor, 307.
 Burgess, forgery of, 287.
 Burke, Mr., 296.
 — speech on the tea tax, 131.
 Burnet's "History of his own times," extract from, 40.
 Burnet, Bishop, 56.
Cabal Ministry in office, 27.
 Calcutta, rates of freight to, 414.
 — rates of freight to, 1853-54, 416.
 Calico printing introduced into England, 46.
 California, discoveries of, in 1848, 419.
 — effects of the discoveries, 407.
 — influx of gold from, 398.
 — over-trading to, 412.
 Cameron, a director of the Royal British Bank, 430.
 Campbell, Lord, extract from, 430.
 Canal from Stockholm to Gottenburg, 130.
 Canal, rail-road, &c., companies, capital, number of shares, &c., in 1827, 206.
 Canning, Mr., 170, 183, 198, 202, 205, 215, 232.
 Carlisle capitulated, 85.
 Cash payments, historical sketch of the cessation of, 113.
 — suspension of, 122.
 — restricted, 126, 134.
 — impracticable, 136.
 — suspension act, 152.
 — cessation of, 113.
 — drain of, 119.
 — for notes, 163.
 Cashier's office, chief, 305.
 Cathcart, Lord, 157.
 Catholic emancipation, 1827, 214.
 Chamberlain, Hugh, a new bank proposed by, 43, 323.
 — speculations of, 324.
 Chamber of Commerce at Manchester, 241.

- Chambers, extract from, 62.
 Chancellor of the Exchequer, 117.
 Change Alley, credit of the government
 in, 39.
 Change Alley, 69, 74.
 Charles First, 22.
 — Second, 26, 27, 320.
 Charles Edward, landed in England, 85.
 Charter act, bank, 274.
 — of 1844, suspension of, 426.
 — clauses of the new, 277.
 — banks of Scotland during the panic
 of 1793, 111.
 Charters, bank, 41, 48, 53, 54, 57, 84, 92,
 — alterations in the, 211. [103, 128.
 — new, 233.
 — date of, 41.
 — importance of the, 237.
 — of the bank suspended, 429.
 Chaumette, M. de la, 218.
 Child, Mr. Francis, 26, 79.
 — Messrs., attempt to injure, 88.
 Choiseul, Duc de, stratagem of, 301.
 Christmas, William, 282.
 Chronicle, Morning, opinion of the, 107,
 205.
 Circulation estimated, 119.
 — debased, 23.
 — the whole banks and bankers', 1844
 to 1851, 383.
 — paper, 145.
 — of small notes extended, 184.
 — country, 120.
 City Bank of London, deposits each year,
 1856 to 1861, 315.
 City of Glasgow Bank, suspended pay-
 ment, 431.
 Clauses of the new bill, 277.
 Clerks in banking establishments, a re-
 laxation wanted in the labors of, 265.
 Clipped money received by banks at its
 full value, 47.
 Clipping and filing, by, the value of coins
 had been diminished, 47.
 Cobden, Mr., testimony of, 83.
 Cobden, Richard, 370.
 — extract from, 83.
 Cochrane, Lord, sentenced to imprison-
 ment, 157.
 Cockerell, Mr., 306.
 Cœur de Lion, Richard, reign of, 17.
 Coin and bullion, lowest amount held by
 the bank, 444.
 Coinage-re, of the silver, 47.
 Coins of doubtful weight, 323.
 Columbia, loan contracted for in 1824, 206.
 Commerce in Great Britain, 146.
 — Anderson on, 32.
 — state of, 25.
 Commercial Bank of London, amount of
 deposits each year, 1841 to 1861, 315.
 Commercial Bank of Ireland, 242.
 — bankruptcies in 1847, 380.
 — crisis in Amsterdam, 130.
 — credit almost suspended in England,
 429.
 — embarrassment in England, 172, 379.
 — panic in London, 131.
 — — Ireland, 172.
 — jealousy of the Dutch, 68.
 — Commons raised to power, 19.
 — house of, 76, 123.
 — — committee of the, report of, 433.
 Committee of inquiry on forgery of bank
 notes, report, 227.
 — appointed to prevent forged notes,
 171.
 Company, East India, 19, 34, 56.
 — of mine adventurers, 54.
 — Mississippi, 59.
 — London assurance, 73.
 — joint-stock, 185.
 — of the west, letters patent granted
 to the, 60.
 Companies, list of, 205.
 — price of shares in, 191.
 Comptroller general of finance, France,
 Law resigned the office of, 64.
 Consols, lowest and highest price, 1732-
 1755, 256.
 — — 1821-1827, 198.
 — — 1831-1861, 311.
 — — 1835-1840, 255.
 — — 1841-1846, 293.
 — fell to 85, 373.
 Conspiracy against the government, 81.
 Conti, Prince de, 63.
 Continental conspiracy, 266.
 — its discovery, 270.
 — fate of the conspirators, 270.
 Contraband trade at a premium, 138.
 Copyright act in England, 52.
 Corporation, importance of the, 303.
 Cotton exported by Jamaica, 130.
 — Mr., 304.
 — price of, 1848-1850, 398.
 Council of trade, 52.
 Country, disaffection of the, 120.
 — traders, 108.
 Court room, 304.
 Counterfeit sovereigns, 200.
 Counterfeiting of bank bills a felony, 83.
 Coutts & Co., Messrs., 209.
 Credit, preservation of, 281.
 Croly, Dr., 113.
 Cromwell, protectorate of, 24, 25, 30.
 — and the expulsion of the Jews, 17.
 — extract from, 113.
 Cuba, island of, surrendered, 130.
 Cumberland, Duke of, dragged from his
 horse by the mob, 225.
 Cunard steamer, first, 257.

- Cunningham, Allan, description of, 101.
 Currency, metallic, 208.
 — dangers of a fettered, 389.
 — speech upon the, 149.
 — theories, 374.
 — bill, 167, 178.
 — contraction of the, 173.
 — contraction of four millions of, 178.
 — aggregate, 184.
 — want of a secure small, 203.
 — bill, Mr. Peel's, 207.
 — evil of an unlimited, 193.
 — opinions on the, 214.
 — views on the, 349.
 — metallic, in the United States, 240.
 Cutlery manufactured at Sheffield, 131.
 Cutting machine, 303.
- Dalrymple, Sir John**, extracts from, 34, 37, 43.
- Darien Company, 33.
 — — the projector of, 33.
 — departure for, 35.
 — expedition, 35.
- D'Arjuzon, Marie Rosalie, 268.
 Darlington Bank, forgeries on the, 102.
 De Foe's "Robinson Crusoe" issued, 66.
 Delusion of 1824, 187.
 Denmark, loan contracted for in, 1824, 207.
 — — 397.
 Depreciation of paper currency, 148.
 Deputy-governor, death of, at Namur, 45.
 — qualification of a, 307.
 De Yonge, case of, 146.
 Dictionary of commerce, 175.
 Directors of the bank, qualification of, 119.
- Disaffection of 1830, 221.
 Discount on foreign bills, 42.
 — obtained with difficulty, 192.
 — of the bank from five to fifteen millions, 197.
 — bank raises them to 5 per cent., 198.
 — bank notes at a, 47.
 — diminution of, 118, 123.
 — extension of, 126.
- D'Israeli, extract from his "Genius of Judaism," 14.
 — extract from, 18.
 Dividends unclaimed, 140.
 Dividend, reduction of, 170.
 Dixon, Joshua, examination of, 431.
 Dobree, Mr., 251.
 Dock, canal, &c., companies, projected in 1827, 206.
- Dodd, Dr., executed for forgery, 94, 182.
 Dollars, issue of, 125.
 — rise in the price of, 154.
 Dollar, the stamped, rise in the value of, 154.
- Doubleday's life of Peel, extracts from, 353.
 — financial history, extracts from, 158, 160, 163, 191.
 — — review, extracts from, 118.
- Dublin Linen Hall opened, 82.
 Du Bourg, 155.
 Duc D'Orleans, 60.
 Dudley, Lord, extract from, 187.
 Dundee, advance to, 217.
 — exchange bank at, in 1845, 399.
- Dundonald, Lord, acquitted of participation in the stock-jobbing movement, 157.
 Duty on salt imposed, 48.
- East India annuities**, 109.
 — company, French, 69, 131.
 — — much inconvenience experienced from the directors of the bank being also of the, 56.
 — — balances of the, 238.
 — — the advantages of the, 34.
 — company's charter renewed, 131, 172.
 — houses, failure of, 256.
- Edward, the Confessor, 14.
 Edinburgh Review, extracts from, 128, 132, 133, 146, 147, 148, 150, 152, 153, 154, 167, 169, 171, 192, 193, 194, 198, 221, 227, 229, 231, 234, 271, 273.
 — exchange banks at, in 1843, 399.
- Eldon, Lord, opinion of, 102.
 — speech of, 152.
- Elford, Sir W., stoppage of the bank of, 194.
- Elizabeth, 20.
 Engler & Co., forgeries on, 269.
 English post-office, 46.
 Engraving on steel by Heath & Perkins, 172.
- Epigram on the South Sea Company, 71.
 Epigrams of the period, 72.
 Esdaile, Messrs., creditors of, paid in full, 252.
 — one of the directors of the Royal British Bank, 430.
- Establishment of lending houses at Naples, 14.
 Everett, Walker & Co. suspended payment, 194.
- Ewer, Mr., 105.
 Exchange, bills of, 17.
 — — on Bremen, July, 1837—February, 1838, 255.
 — — on France, July, 1837—February, 1838, 255.
 — — on Hamburg, July, 1837—February, 1838, 255.
 — — on Holland, July, 1837—February, 1838, 255.
 — foreign, 192.

Exchange on London, 255.
 — operation, 21.
 — par of, 191.
 — royal, 20, 73, 107.
 — with Hamburg, 167.
 Exchanger, office of, 23.
 Exchequer bills, 54, 57, 89, 111, 148.
 — advanced, 111.
 — circulated by the bank, 52.
 — interest raised on, 209.
 — issued, 48.
 — demands on the, 27.
 — no payments made by the, 27.
 — forgeries, 257.
 — discount of, 196.
 — scene on funding, 166.
 — tallies at a discount, 48.
 Exportation of cotton machinery prohibited, 131.
 Exports, British, 1818-1832, 214.
 — 1842-1847, 366.
 Extensive speculation, 147.
 Extension of commerce, 106.
 Extraordinary fluctuations in wheat, 177.
Fall in commodities, 253.
 Fast general, a proclamation for a, 86.
 Fellowship of merchant adventurers, 19.
 Fenn, Mr., extract from his English and foreign funds, 54.
 Fielding, Sir John, house destroyed by a mob, 96.
 Finance committee, 139, 142.
 Financial events, 1821-1840, 220, 294.
 — 1846-1850, 402.
 — 1851-1854, 415.
 — 1855-1856, 422.
 Flanders, traders of, 19.
 Fletcher, Joshua, a forger of wills, &c., 282.
 Florence, 269.
 Fluctuations in the currency of Scotland, 147.
 Foley, Admiral, 155.
 Fonton, Francis, fraud by, 108.
 Forced contributions, 153.
 Foreign loans in England, 186.
 — list of, 31.
 Forged notes, the first, 91, 166, 227.
 — increase of, 98.
 Forger, disguise of the, 99.
 — detection of the, 103.
 Forgeries, extraordinary, of Charles Price, 99.
 — French, 231.
 — will, 283.
 — of Austrian notes, 232.
 Forgery made felony, 49.
 — of the water mark, 103.
 — curious, 143.
 — deaths for, 143.
 — of deeds, 182.

Forgery of bank notes, 132, 271.
 — of Barnard Turner, 174.
 — of Henry Fauntleroy, 179.
 — of Burgess, 287.
 — on the Darlington Bank, 102.
 — on the Royal Bank of Scotland, 103.
 — attempts to prevent, 228.
 — first punished by death, 182.
 — increase of, 227.
 — opinions as to the punishment of death for, 229.
 — mysterious, 441.
 — prosecutions for, 133.
 — petition against hanging for, 230.
 — punishment with death ceased, 182.
 Fox, Mr., in the house, 122.
 France, coup d'état in, 403.
 — forced loan of 600,000 000 francs, 131.
 — forced paper circulation of, 392.
 — regent, D'Orleans of, 60.
 — revolution in, 390.
 — taxation in, 226.
 — national bankruptcy of, 65.
 Frankfort black, 332.
 Fraud of Robert Astlett, 134.
 — stock exchange, 155.
 Free trade with Brazil, 46.
 — origin of, 299, 371.
 Freights, rates of, to Bombay, 1853-1854, 416.
 — — to Calcutta, 1852-1856, 414, 416.
 — — to Hong Kong, 1853-1854, 416.
 — — to Melbourne, 1852-1856, 414.
 — — to New-York, 1852-1856, 414.
 — — to Odessa, 1853-1854, 416.
 — — to Port Phillip, 1853-1854, 416.
 — — to Sydney, 1853-1854, 416.
 French colonies, the fall of the, 92.
 — East India Company, 46.
 — — failure of the, 131.
 — forgeries, 232.
 — prohibitory tariffs, 46.
 — revolution, 118.
 — stratagem, duc de Choiseul, 301.
 Freshfield, Mr., 249, 284.
 Frugality Bank proposed, 131.
 Fuller, Mr., speech on the currency, 149.
 Funds, reduction in the, 273.
Garraway's coffee house, the London merchants meet at, 87.
 Gas companies, number, amount of, capital, &c., 1827, 206.
 Gaspey, extract from his "Pictorial History of France," 64.
 General distress and riots, 131.
 George I., the accession of, 58.
 Georgia, colony of, charters granted to, 82.
 Gilbert, Mr., remarks of, 19.

- Gilbart, Mr., extract from his "History of Banking," 14, 41, 137.
 — J. W., testimony of, 129.
 Glasgow, advances to, 217.
 — commercial exchange company, 399.
 — suspension of bank in, 429.
 Glass, plate, British manufacturers, 94.
 — — first factory, 46.
 Goderich, Lord, reply of, 219.
 Godfrey, Mr. Michael, 38, 43, 45.
 — — extracts from a pamphlet of, 40, 43, 45, 49.
 Gogel, Kock & Co., forgeries on, 269.
 Goldsmiths, 23.
 — borrowers and receivers of money, 25.
 — beginning modern banking, 25.
 — notes, 25.
 — enormous interest of the, 26.
 — advantage taken by the, 26.
 — ruined, 28.
 — opposition to the bank, 38.
 — jealousy of the, 45.
 Goldsmith's family, 143.
 Gold and silver, bullion imported, 405.
 — coin exported, 405.
 — currency, amount in, 151.
 — over production of, 189.
 — of Guinea, 46.
 — price of, from 1809 to 1821, 158.
 — demand for, 197.
 — discovery of, in New South Wales, 401.
 — diminution of, 108.
 — influx of, from California, 398.
 — new, coinage of England, 172.
 — export of, 255.
 — supply of, 405.
 — wine and olive joint-stock company, [189].
 Gordon, Lord George, 95.
 Gosling, Messrs., 179.
 Government, answer of the, 377.
 Governor, qualification of the, 307.
 Goulburn, Mr., 259, 273, 275.
 Gower, Lord Leveson, extract from, 187, 188.
 — Nephews & Co., failure of, 380.
 Gloomy apprehensions during the panic of 1793, 110.
 Glyn, Mr. George Carr, 203.
 — Messrs., Halifax, Mills & Co., 268, 270.
 Graham, Sir James, remarks of, 223.
 — Cunningham, 266.
 Grain, average price of, 1792 to 1815, 160.
 Great fire in London, 46.
 Greece, loan contracted for, in 1824, 206.
 — in 1825, 207.
 — national bank of, 220.
 Gregorian style in Great Britain, 130.
 Grenfell, Mr. Pascoe, 155, 176, 188.
 Grenville, Lord, speech of, 151.
 Gresham, Thomas, 197, 205.
 — the abolition of loans from foreign states, by the agency of, 20.
 — wealth at the time of his death, 21.
 Grey, Earl, recalled, 226.
 Grocers' Hall, where the Bank of England commenced operations, 42.
 — removal from, 82.
 Grote, Mr. George, 203, 307.
 Grundy, Nathaniel, 164.
 Guatemala, loan contracted for, in 1824, 207.
 Guest, William, seized for filing guineas and making them light weight, 93.
 Guineas, circulation of, 134.
 — at a high premium, 170.
 Gurney, Messrs., 203.
 Gurney, Mr., protest of, 207.
Hackney-coaches, first licensed, 46.
 Haes, Mr. David, 258.
 Hambro & Son contract a loan for Denmark, 397.
 — Sardinia, 400.
 Hamburg, interest in, 1857, 429.
 Hamburg, correspondent at, 106.
 — rate of discount, 413.
 Hamilton, Lord, his clause respecting the confining of the dividend of profit of the bank, 154.
 Hankey, Thomson, address of, 440.
 — governor of the bank, extract from his speech, 335, 414.
 Harley's scheme, 66.
 Harman, Mr., 197, 203.
 Hatfield, John, hung for forgery, 182.
 Hawkesbury, Lord, extract from, 136.
 Hearth money voted, 46.
 Heathcote, Sir Gilbert, 55.
 Hebrew banker, first, 15.
 — compulsory bankers, 15.
 — admission into England, 25.
 — oppression of the, 16.
 — defence of the, 15.
 — possessors of wealth, 17.
 — in England, 23.
 — expulsion of the, 17.
 — return of the, 24.
 Hell-fire club, proclamation against the, 73.
 Henry III., 15.
 — VII., reign of, great advance in commerce, 19, 23.
 — VIII., reign of, circulation debased, 23.
 Hides and wool trade, origin of, 13.
 History of banking, Gilbart's, extracts from, 15.

History of prices, extract from, 161.
 Hoarding of gold in France, 153.
 — of specie in England, Scotland and Ireland, 154.
 Hoares, Messrs., 30, 88.
 Holland, Earl of, 24.
 — Lord, 151, 153.
 Hong Kong, rates of freight to, 1853–1854, 416.
 Horn, Count Antoine Van, 62.
 Horner, Mr., extract from, 50, 145, 172, 410.
 — resolution, 148.
 Houblon, Sir John, the first governor of the bank, 83, 303, 329.
 House of Commons, committee appointed to inquire into the forgery of exchequer bills, 260.
 — report on the management of the bank, 306.
 Hubbard, John Gellibrand, elected deputy-governor of the bank, 415.
 Huddersfield, advance to, 217.
 Hudson Bay Company, 294.
 Hughes, Mr., extract from his "History of England, 205.
 Human & Mappes Fils., forgeries on, 269.
 Hume, extracts from, 15, 22, 27.
 Hunton, Joseph, a quaker, suffered death for forgery, 182.
 Huskisson, Mr., 198.
 — extract from, 173, 177, 201, 202, 210.
 — remarks on the issue of more notes, 383.
Imports from 1818 to 1832, 214.
 — from 1842 to 1847, 366.
 Improvement of the stocking loom, 130.
 Income tax, 273.
 — continuance of the, 367.
 Increase of luxury, 61.
 Industrial associations, 80.
 Insurance companies, capital, amount of shares, &c., 206.
 Interest, first forbidden, 14.
 — allowed, 29.
 — in Hamburg, 1857, 429.
 — in London, 1857, 429.
 — of money, 15.
 — in New-York, 429.
 — in Paris, 429.
 — rate of, 30, 38.
 — of money borrowed, 49.
 — reduction of, 58.
 — banks raise their, 241.
 Invasion, projected, of England, 51.
 Investment companies, capital, number of shares, &c., 1827, 206.
 Ireland, government of, 109.
 — Mr., anecdote given by, 88.
 — negotiates a loan, 109.
 Irish famine, 372.

Irish linen board formed, 66.
 — loan, 117.
Jacobin societies, 120.
 Jacobites still numerous, 48.
 — a powerful party, 81.
 Johnston, Chevalier, 87.
 Joint-stock companies, 185, 204, 205.
 — banks, 215, 235.
 — — shares of, 240.
 — — over-issues of, 224.
 — — committee on, 243.
 Jones, Lloyd & Co., 184, 226, 282.
King, Lord, a letter from, 150.
 — demands his rent in gold, 152.
 Kinnear, George, the originator of the Scotch exchange banks, 399.
 Knight's Pictorial History of England, extract from, 28.
Lancashire, important bank failures in, 381.
 Land Bank, had done mischief, 47.
 — — proposed to be established, 32.
 — over-investment in, 412.
 Lane, Son & Fraser, stopped paym't, 110.
 Law, John, 59.
 — history of, 59.
 — leaves France, 65.
 — popularity, 60.
 — unpopularity of, 65.
 — resigns his office, 64.
 Lawson's History of Banking, extract from, 41, 90, 230.
 Lead, prices of, 1792 to 1815, 162.
 Legal decision, 105.
 — tender, 150, 253.
 Leonosa wool, prices of, 1792 to 1815, 162.
 Life-boat first launched in England, 131.
 Liverpool, advance to, 217.
 — important bank failures in, 381.
 — suspension of banks in, 429.
 Liverpool, Earl of, 176, 212.
 — letter of, to the Gov. of Bank of England, 210.
 Liverpool's, Lord, speeches, 202, 215.
 Livre, or pound, in France, what it contained, 309.
 Lloyd's, Mr., opinion respecting the purchase of the dead weight, 175.
 Lloyd, Mr. Jones, extracts from, 298.
 — — 242, 281, 298.
 — — evidence before a committee of the House of Commons, 281.
 — Lewis, estimate of the reduction of country paper in 1816, 184.
 Lloyd's coffee house, London, estab., 94.
 Loans from the citizens, 20.
 — during the shuttings, 219.
 — to government, 58, 84, 88, 137.

- Loan, forced, in France, of 600,000,000 francs, 131.
 — in France, fm. the opulent, 136.
 — in Germany, 115.
 — loyalty, 112.
 — Peruvian, 187.
 — West India, 240.
 Lombards, 17.
 — establishment of the, 17.
 — of England, 17.
 — persecution of the, 18.
 — property and estates seized, 18.
 — robberies of, 22.
 — by the Stuarts, 22.
 London assurance, 73:
 — shares, 73.
 — and County Bank, amount of deposits each year, 1838 to 1861, 315.
 — increase in deposits in 1861, 316.
 — and Westminster Bank, 239, 247, 251.
 — amount of deposits each year, 1834 to 1861, 315.
 — inc'rse in deposits in 1861, 316.
 — and Joint-Stock Bank established, 239.
 — amount of deposits each year, 1837 to 1861, 315.
 — inc'rse in deposits in 1861, 316.
 — history of the, 315.
 — bankers, increase of, 108.
 — proceedings of a meeting of the, 22d October, 1847, 381.
 — and Paris press, 136.
 — bank, proposed to be established, 32.
 — import of timber, 1850-53, 411.
 — interest in, 1857, 429.
 — business conducted by foreigners, 13.
 Londonderry, Marquis of, stoned by a mob, 225.
 — important communication from, 381.
 Louisiana granted to the "Company of the West," 60.
 Lothbury front, 304.
 Lottery, first, 56.
 — first grant in England, 46.
 — loan of 1694, 320.
 — tickets, 56.
 Loyalty loan of £18,000,000, 112.
 Lushington, Mr. Alderman, 125, 136.
 Lyndhurst, Lord, extract from, 225.
- Macaulay, Mr. T. Babington,**
 extracts from, 27, 319, 345.
- Machine, weighing, 303.
 Machinery for printing the notes, 306.
 Mackay, Dr., extract from, 61, 75.
 Mackintosh, Sir James, 228.
 Mackworth, the projector of the "Company of Mine Adventurers," 54.
- Macpherson, extract from, 94, 111.
 Maitland, remarks of, 18.
 Malmesbury, Lord, 119, 112.
 Management of the public debt, 142.
 Manchester, advance to, 217.
 — important bank failures in, 381.
 Mandates substituted for assignats, 131.
 Mania of 1825, 190.
 Manning, Mr., 176.
 — extract from, 154.
 Mansfield, Lord, 95, 96, 105.
 — decision of, 94.
 Mansion-house meeting, 196.
 Manufacture of Irish cambric, 82.
 — carpets commenced, 89.
 — thread and gauze, 92.
 — calico, 94, 131.
 — brocade at Lyons, 130.
 Manufactures in Russia and Denmark, 52.
 — of woollen and linen cloths, 80.
 Maravedi, a Spanish coin, value of, 309.
 Maritime trade of England, 46.
 Marlborough, Duch's of, assisting Messrs. Child, 88.
 — Duke of, assisting the bank, 52.
 — victories of, 57.
 Marsh, Sibbald & Co., 179.
 Martineau, Miss, remarks on the railway, 365.
- Mathison, John, fraud of, 102.
 Maubert, Mr., 260.
 Maynard, Thomas, hung for forgery, 182.
 Melbourne, rates of freight, 1852-56, 414.
 Mellish, Mr., 159, 262.
 — declarations of, 159.
- Merchandise, comparative prices of, 1848, 1849, 397.
- Merchant Tailors' Hall, 89.
 Merchants' steel yard, 18.
 — Elizabeth borrowed of the, 20.
 — failures of the, 110.
 — meeting of the, 122, 148.
 — in 1825, 196.
 — meeting of principal, 125.
 — support to, 111.
 — of London, petition from, 168.
 — meeting of the, 123.
- Metallic payments, 163.
 Meulemeester & Son, attempt of forgery on, 269.
- Mexico, loan contracted for, in 1824, 206.
 — in 1825, 207.
- Mines of Chili, Brazil and Peru, 185.
 Mining companies, capital, &c., in 1827, 206.
- Mint, robbery of the, 23.
 — expedite the coinage at the, 197.
- Miscellaneous companies, am't of shares, capital, &c., in 1827, 206.
- Mississippi scheme, 59.
 — how it originated, 66.

- Mississippi scheme near its accomplishment, 60.
 — suspended payment, 65.
 Mixed currency, the question of a debated, 213.
 Molesworth, Lord, extract from, 76.
 Monetary crisis of 1847, 387.
 — failures, 50.
 — pressure in 1847, 379.
 Montague, Basil, extract from, 182.
 Mont de Piété, at Paris, established, 95.
 Montesquieu, remarks of, 15.
 Morland, the painter, 101.
 Moulst, Mr., reply of, 249.
 Muslins introduced from India, 46.
 Mutual guarantee, 285.
- Nails**, first made by machinery, 131.
 Naples, loan contracted for, in 1824, 206.
 Napoleon's decrees, 148.
 National debt, 345.
 — — reduction of interest on the, 89.
 — — 1786 to 1816, 164.
 — — doubled, 114.
 — Bank of Ireland, 131.
 — bank of credit, brought forward, 30.
 Neale & Co., bankers, stopped payment, 93.
 Neave, Mr. Sheffield, deputy governor of the bank, 424.
 Necker's financial statement, 131.
 New associations, year 1823, 191.
 Newcastle, Duke of, 86.
 — — mansion fired by a mob, 225.
 — — important bank failures in, 381.
 New companies, 71.
 Newland, Mr. Abraham, 143.
 Newmarch, Mr., 439.
 New River Company, a great benefit to the English people, 33.
 New-South Wales, discovery of gold in, 401.
 — — 3½ per cents, 220.
 — — 4 per cents reduced, 238.
 — — 5 per cents, holders of, 238.
 Newton, Sir Isaac, advises the re-coinage of silver, 47.
 New-York, interest in, 1857, 492.
 — — rate of discount, 413.
 — — rates of freight, 1852-56, 414.
 Nicholls, Mr., extracts from, 231.
 — — John, forger of bank notes, 143.
 Norman, Mr. Ward, extract from, 215, 253.
 North, Lord, extract from, 104, 321.
 Northern and Central Bank, 243.
 — — account of, 246.
 — — application for assistance, 247.
 Northumberland and Durham Bank, failure of, 431.
 Norwich, advance to, 217.
 Norwich Bank, run on the, 194.
- Notes, issue of five pound, 110.
 — — under five pound, 124.
 — — for one and two pound, 124.
 — — for one pound, 202.
 — — country, discredited, 110.
 — — circulation of one pound, 132.
 — — preferred to gold, 164.
 — — small, extinguished, 214.
 — — small, 213.
 — — stopped, 218.
 — — lost, 302.
 — — stolen, 300.
- Odessa**, rate of freight to, 416.
 Oldham, Mr., 306.
 Oliver, Mr., of Liverpool, failure of, 413.
 Origin of country banks, 107.
 Ormond, Duchess of, letter to Swift, 69.
 Overend, Gurney & Co., petition against death penalty for forgery, 230.
 Overstone, Lord, extracts from, 436.
 Oxford and Wolverhampton line, 297.
 — — sagacity of, 57.
- Paindry, Count de**, forgeries of, 269, 270.
- Paine, Thomas, 118.
 Palma, Nardo di, 14.
 Palmerston, Lord, letter of, 427.
 — — on public affairs, 351.
 Palmer, Mr. Horsley, 183, 224, 260.
 — — Mr., opinion of, 208, 254.
 — — Mr., pamphlet of, 223, 242.
 Panama, Isthmus of, 33.
 Panic, great, 93, 110, 210, 241.
 — — of 1845, evil effects of the, 297.
 — — of 1847, 373.
 Paparo Aurelio, 14.
 Paper as compared with gold, 1809 to 1814, 177.
 Paris first lighted by gas, 172.
 — — interest, in 1857, 492.
 — — rate of discount, 413.
 Parliamentary inquiry, 75.
 — — speeches, 76.
 — — debates, 104, 235.
 — — reports, 124.
 Paterson, William, 33, 37, 38, 39, 40, 45,
 — — discharge of claims by, 34. [52.
 — — scheme of, 40, 325.
 Pay Hall, 304.
 Peace of 1815, 158.
 — — of Ghent, 172.
 — — of Ryswick, 29.
 — — of Utrecht, 29.
 — — of Aix-la-Chapelle, 29.
 — — of Amiens, 29.
 — — — 133.
 — — rumors of approaching, in 1856, 417.
 Peel, Mr., 170, 167, 163, 184.
 — — currency bill, 165, 167, 168, 178.

- Peel, Mr., report of, 164.
 — Sir Robert, extract from, 235, 358,
 367, 369, 376, 395.
 — — — 274, 213, 222, 272, 274, 281,
 437, 382.
 — — — on the death penalty, 230.
 — — — speeches of, 276, 281, 352, 355,
 428.
 — — — on the bank charter act, 385.
 Penny-post first established, 46.
 Percival, Mr. Spencer, 141, 154.
 Perreau Brothers executed, 95, 152.
 Peru, loan contracted for in 1824, 206.
 — — — 1825, 207.
 Peruvian loan, 186, 352.
 Peterborough, chivalrous achievements
 of, 57.
 Petty, Lord Henry, new plan of finance,
 141.
 Pitt, Mr., 109, 140, 159.
 — maiden speech, 105.
 — communications with, 115.
 — demands of, 123.
 — treaties and subsidies, 113.
 Playing cards, stamp duty, 130.
 Pole, Sir Peter, 194.
 — — — & Co., suspension of, 194.
 — Thornton & Co., assistance by the
 bank to, 195.
 Police, a century ago, 84.
 Political causes of suspension, 127.
 — riots, 221.
 — unions, 225.
 Porcelain first made at Dresden, 52.
 Porter, extracts from, 214.
 Porter's Progress of the Nation, extracts
 from, 366.
 Portugal, loan contracted for, in 1824, 206.
 Pound, 168.
 — of money, what it was, 309.
 — weight of silver in Scotland, 309.
 Preservation of credit, 95.
 Preserving the Rest, policy of, 128.
 Prescott, Henry J., governor of the bank,
 — Mr., 248. [415.
 Pretender, 51.
 — conspiracy of the, 81.
 — retreat of the, 87.
 Price, Charles, forgeries of, 99.
 Prices during panic of 1847-48, 1857-58,
 439.
 — — — extraordinary rise in, 437.
 — of merchandise, 1848-49, 397.
 — — — 1848-56, 419.
 Property tax, 141.
 Prosperity of the country, 183.
 Protector's descent, 25.
 Provinces, alarm of the, 120.
 Provision companies projected in 1827,
 206.
 Purchase of the dead weight, 175.
- Quarterly Review**, extract from,
 204.
 Queen's speech in parliament, November
 23d, 1847, 384.
 Quesnay, one of the originators of free
 trade, 299.
- Baikes, Mr. Richard Mee**, 239.
 — — — governor, failure of, 239.
 Rail-road companies projected, 206.
 Railway mania, 289, 363, 365.
 — — — of 1845, 289.
 — — — deposits, 299.
 — — — reduced one-half, 365.
 — — — directors, 290.
 — — — expenditure of 1848-50, 421.
 — — — picture, 291.
 — — — prospectus, 291.
 — — — no risk in the, 295.
 — — — stock, prices of, 1846-1856, 423.
 — — — tricks of the speculators in the, 293.
 — — — private property invaded by the,
 294.
 — — — security, high prices of, 295.
 — — — system in England, 221.
 — — — in Britain, 394.
 — — — projects by leading men, 296.
 Railways, over investments in, 412.
 Ransom, Mr., suit of, 166.
 Rapallo, Ernest, forgery of exchequer
 bills, 259.
 Real del Monte Association, 185.
 Rebellion of 1745, 85.
 — — — of 1715 checked, 58.
 Reduction of the funds, 273.
 Reform bill, 1832, 214.
 Reign of terror, 136, 138.
 Revenue of Great Britain, from 1818 to
 1832, 214.
 — — — 1842 to 1847, 366.
 Ricardo, Mr., on a metallic standard, 178.
 Richards, Mr., evidence before a com-
 mittee of the House of Commons, 184.
 — — — remarks of, 201, 226.
 Riots in Lancashire and Yorkshire, 172.
 — — — in the country, 199.
 Rise of Prices in 1823-1825, 190.
 Robertson, extract from, 18.
 Robinson, Mr., extracts from, 209.
 Rochester, Bishop of, seized, 82.
 Romilly, Sir Samuel, 228.
 Rothschild, Mr., opinion of, 203, 208.
 — — — Nathan Meyer, on death penalty,
 230.
 — — — death of, 257.
 Route to China, 19.
 Royal Bank of Scotland, 82, 126.
 — — — British Bank, failure of the, 430.
 — — — exchange, Edinburgh, 130.
 — — — Exchange Assurance Company, 177.
 — — — obtain a charter, 73.

- Royal exchanger, the office of, 23.
 — observatory, Paris, 46.
 Run on the bankers, 27.
 Russell, Lord John, celebrated letter of, 382.
 — remarks on sugar trade, 371.
 — — in Parliament, 351, 353.
 — reform bill by, 224.
 Russia, loan for, 397.
 Russian ports, blockade of the, 414.
 Rutland, Duke of, copy of an agreement with the, 78.
- Sacheverell, Dr. Henry, 55.**
 Salomons, Mr., 242.
 — Mr. David, extracts from, 242.
 Sampson, Mr. George, designer of the bank building, 83, 303.
 Sanderson, Mr., on death penalty, 239.
 Sardinia, loan of, £3,500,000 in 1851, 400.
 Saville, Sir George, 104.
 — extract from, 104.
 Savings bank, 208.
 Scarcity of money, 209.
 — of silver, 209.
 — of gold, 154, 114.
 Schuyler, Robert, forgeries of, 413.
 Scotch exchange banks, 1845, 399.
 — banks, 147.
 Scotland, failures in, 435.
 — Royal Bank of, 126.
 Scott, Sir Walter, 210.
 Scottish enthusiasm, 35.
 Scrope, Mr. Poulett, extract from, 285.
 Season of distress, 110.
 Securities, public, 51.
 — lowering the interest on, 183.
 Sermon at St. Paul's, by Dr. Sacheverell, 55.
- Seven years' war, and national debt, 29.
 Shaftesbury, hint to Clifford, 28.
 Sheffield, advances to, 217.
 Sheridan, Mr., 122.
 Shoe-buckles introduced, 46.
 Sikes, Snaith & Co., susp'd payment, 194.
 Silk, culture of, in Connecticut, 130.
 Sinclair, Sir John, speech of, 150.
 Sinking fund, original, of 1786, 108.
 — operation of the, 159.
 Slave States, production of sugar in the, 371.
 — trade flourishing, 46.
 Slavery, encouragement to, 371.
 Smee, Mr. W. Ray, 261.
 — extract from, 106.
 — Alfred, 287.
 Smith, Adam, 299, 407.
 — Edward Beaumont, 259.
 — Payne & Smith, bankers, 90.
 Smollett, extracts from, 39, 49, 69.
 Snow, Messrs., 30.
- Snow, Strahan, Paul & Co., 79.
 Soane, Sir John, improvements in the bank by, 904.
 Social condition of England, 170.
 Society of Arts, 227.
 Solari, Angelo, the forger, 259.
 South Sea fund, 28.
 — 68, 75.
 — delusion, 58, 67, 73.
 — scheme, 32, 59.
 — bubble commenced, 63, 75.
 — directors, 69.
 — stock, 74, 78.
 — secret committee, 76.
 — — punishment of the speculators, 77.
 — — parliamentary inquiry, 75.
 — company, government annuities, 80.
 — company, 68, 80.
 — — originated, 52.
 — bubble, 185.
 South American speculations, 160.
 Sovereigns, coinage of half, 172.
 — light, called in, 265.
 Spanish funds, 240.
 Special trains, 298.
 Specie payments, a bill limiting, 135.
 — — efforts made to resume, 163.
 Speculations of 1836, 231, 241.
 — wildness of, in 1823-1825, 190.
 Speech on the currency, 149.
 Stamp act, for America, 130.
 — duties in Ireland, 131.
 — — 105.
 Stamps, composition for, 155.
 Standard of value, new, 177.
 Stansfeld's, Hamer, letter on the act of 1844, 424.
 — — from, 432.
 Stanhope's, Lord, resolution, 151.
 — extract from, 76.
 Staple, merchants of the, 19.
 Steamboats between Glasgow and Belfast, 172.
 Steam engine, improvement, by Watt, 130.
 Steamship Savannah at Liverpool, 172.
 Steel-yard merchants, 18.
 Steele, Sir Richard, extract from, 75.
 Stocks, fall in, 51.
 — jobbing, 48.
 — exchange fraud, 155, 157, 209.
 — — capel court, 131.
 — holders, 226.
 Strahan, Paul & Co., 79.
 Strikes of artisans and laborers, 410.
 Sugar from beet-root, 131.
 — producers of, 371.
 — exclusion of slave-grown, from trade impracticable, 371.
 Suspension bill, limiting the, 135.
 Sycee silver, 272.

- Tallies**, abolition of, 102.
 Tallow, prices of, 1792 to 1815, 162.
 Tax on notes and bills increased, 172.
 — imposed on bachelors, 131.
 — on saddle and coach horses, 131.
 — income, levied in England, 52.
 — — proposed, 131. [130.
 — new, levied on houses and windows,
 — on coal, 46.
 Taxes, indirect, repeal of, 367.
 — nominal, 158. [303.
 Taylor, Sir Robert, architect of the bank,
 Tea becoming known in England, 46.
 Tench, Nathaniel, 53.
 Thompson, Mr. Alderman, 236.
 — Mr. Poulett, 196, 240.
 Thornton, Mr. Henry, 124, 129, 145, 202.
 — Samuel, 128.
 Timber, importation of, into London,
 1850-53, 411.
 Times, action for libel by Bogle, 270.
 — tribute to the, 271.
 — extracts from, 296, 299.
 — first printed by steam, 172. [444.
 — comments of the, 195, 295, 296, 406.
 Tin, prices of, 1792 to 1815, 162.
 — plate first made in England, 82.
 Tindal, extract from Rapin's History, 15.
 Tobacco monopoly, 46.
 Tocqueville, M. de, extract from, 62.
 Tokens, issue of bank, 154.
 — extensive circulation of, 154. [260.
 Tomkins, Mr., and forged exchequer bills,
 Tonnage Bank, 326.
 Tooke, Mr., extracts from, 160, 161, 189.
 — Thomas, 439.
 Trade, the position of, 111.
 — dangers of free, 389.
 — embarrassments of, 384.
 — export and import, 126.
 — opened with the peninsula, 160.
 — at a stand, 197.
 Trading companies projected in 1827, 206.
 Traffic in one and five pound notes, 144.
 Treasury, credit of the, maintained, 114.
 — bills, 117.
 Trial respecting a forged note, 166.
 — of Barber, 285.
 Turkey, first ambassador from, 131.
 Turner, fraud of, 174.
- Union Bank of London**, in
 — 1840 to 1861, 315. [1861, 316.
 United States, claims on the firms in the,
 — grain from the, 413. [255.
 — suspension by banks in, 429.
- Unity Bank of London, 1851 to 1861, 315.
 — in 1861, 316.
 Usury Laws, alterations of the, 238, 286.
 — restrictions removed, 245.
 — relaxation in the, continued, 286.
- Van dec, Countess**, forgeries of,
 269.
 Van Horn, trial of, 62.
 Valpy, Richard, review of the bank by,
 — fate of, 63. [436.
 Vansittart, Mr., 176.
 — on the price of gold, 149.
 Vaughan, Richard William, the first for-
 ger, 91.
 Voluntary contributions for the war in
 1798, 127.
 Voter, qualification of a, 309.
- Wages**, advance in, 401.
 — loss of, 410.
 — Mr. Horner on the rise of, 410.
 Walpole's sinking fund act, 68.
 — Mr. Robert, 77.
 — Sir Robert, and the bank, 74.
 — — and "South Sea" sufferers, 78.
 — — extract from, 86.
 War with France and national debt, 29.
 — of the Spanish succession, 29.
 — with Spain, 29.
 — — Russia, 29.
 — — America, 98.
 — — France, 130. [182.
 Ward, Mr., M. P., expelled for forgery,
 Watt, in partnership with Boulton, 131.
 Weguelin, Thos. Matthias, elected deputy
 governor, 415, 424.
- Weighing machine, 303.
 Wellington, Duke of, 222, 225.
 — — residence attacked, 225.
 — — unpopular, 221.
 Wentworth & Co., suspension, 193.
 Western Bank of Scotland, failure of, 431.
 Westminster Review, extracts from, 430.
 Wharton, Duke of, extract from, 76.
 Wiggin & Co., suspension of, 242.
 Wildes, Messrs. Geo. & Co., failure of, 242.
 Wilkes, Mr. John, 97.
 William, 39.
 — III., 28, 84.
 — statue of, 83.
 — unpopularity of, 39, 48.
 Will forgeries, 282.
 Willoughby, Sir Hugh, sail'd for China, 19.
 Wilson & Co., Thos., failure of, 242.
 Wood, Sir Charles, 280, 428.

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PUBLISHED BY
J. SMITH HOMANS, JR., OFFICE OF THE BANKERS' MAGAZINE,
CHAMBER OF COMMERCE AND UNDERWRITERS' BUILDING, Nos. 61 & 63 WILLIAM STREET, N. Y.

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